
**THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA**

PLAN OF REORGANIZATION

*Under Chapter 17C of Title 17
of the
New Jersey Revised Statutes*

**As Adopted as of December 15, 2000
(and subsequently amended and restated)**

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**THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA**

PLAN OF REORGANIZATION

This Plan of Reorganization dated as of December 15, 2000 (the "Adoption Date") (together with all Exhibits and Schedules, as originally adopted and as it may from time to time hereafter be amended, supplemented or modified as provided herein, this "Plan") was adopted on the Adoption Date by unanimous written consent of the Board of Directors (the "Board") of The Prudential Insurance Company of America, a New Jersey mutual life insurance company that will become, upon the consummation of this Plan, a New Jersey stock life insurance company (the "Company"). The Board subsequently adopted this amended and restated Plan. This Plan provides for the conversion of the Company from a mutual life insurance company into a stock life insurance company in accordance with the requirements of Chapter 17C of Title 17 of the New Jersey Revised Statutes ("Chapter 17C").

**ARTICLE I
DEFINITIONS**

The following terms have the following meanings for purposes of this Plan:

"Actuarial Contribution" means, with respect to a particular Eligible Policy, the contribution that such Eligible Policy is estimated to have made to the Company's surplus, plus the estimated contribution that such Eligible Policy is expected to make to the Company's surplus in the future, in each case as determined in accordance with the principles and methodology set forth in Article VII and the Allocation Principles and Methodology attached hereto as Exhibit F.

"Actuarial Contribution Date" means March 31, 2000.

"Additional Extraordinary Dividend" means one or more extraordinary dividends (within the meaning of Section 17:27A-4 of the New Jersey Revised Statutes) that the Company may, on or within 30 days after the Effective Date, pay, subject to the prior written approval of the Commissioner, in the form of cash, other assets or both, in accordance with Section 3.3(b), to the Intermediate Holding Company or the Holding Company, or to the Intermediate Holding Company and thereafter in whole or in part to the Holding Company, having a fair market value not to exceed in the aggregate \$2,500,000,000.

"*Additional Fixed Component*" means that element of the Fixed Component of consideration, calculated pursuant to Section 7.1(b)(i)(B), allocable to certain Eligible Policyholders as specified in Section 7.1(b)(i)(B).

"*Additional Variable Component*" means that element of the Variable Component of consideration, calculated pursuant to Section 7.1(b)(ii)(B), allocable to certain Eligible Policyholders as specified in Section 7.1(b)(ii)(B).

"*Adoption Date*" means December 15, 2000, the date as of which this Plan was adopted by unanimous action of the Board. All amendments, supplements and modifications to this Plan shall relate back to and be considered to take effect as of the Adoption Date for purposes of this Plan.

"*ADR*" means the alternative dispute resolution process provided for in the Stipulation of Settlement.

"*ADR Claimant*" means a Person who filed a claim in ADR.

"*ADR Memorandum*" means the memorandum attached hereto as Exhibit E.

"*Aetna Company*" means Aetna, Inc., a Connecticut corporation, or any of its subsidiaries, as the context requires.

"*Aggregate Basic Variable Component*" means the portion of the Initial Allocable Shares that remains after Allocable Shares are first allocated from the Initial Allocable Shares to provide for the aggregate of all Basic Fixed Components allocable in respect of all Eligible Policyholders as provided in Section 7.1(b)(i)(A).

"*Allocable Shares*" means notional shares of Common Stock allocable among Eligible Policyholders in the Reorganization.

"*Allocation Factor*" means the ratio of the Aggregate Basic Variable Component to the sum of all positive Actuarial Contributions of all Eligible Policies.

"*Allocation Principles and Methodology*" means the principles and methodology set forth in the memorandum attached hereto as Exhibit F that govern the allocation of the Aggregate Basic Variable Component among Eligible Policyholders.

"*Annuity Crediting Rate Requirements*" means the rules set forth in Exhibit J applicable to the interest rates credited on certain account values of Covered Fixed Annuities and Covered Variable Annuities.

"*Application*" means the application for approval of, and for permission to reorganize pursuant to, this Plan, that will be filed by the Company with the Commissioner.

"*Basic Fixed Component*" means that component of consideration allocable to each Eligible Policyholder as provided in Section 7.1(b)(i)(A). Such Basic Fixed Component shall be equal to eight Allocable Shares. Each Eligible Policyholder shall be allocated a single Basic Fixed Component (regardless of the number of Eligible Policies owned by such Eligible Policyholder as of the Adoption Date, including any Policies issued, reinstated or repurchased pursuant to the ADR Memorandum).

"*Basic Variable Component*" means that component of consideration equal to the portion, if any, of the Aggregate Basic Variable Component allocated in respect of all Eligible Policies of an Eligible Policyholder.

"*Board*" means the Board of Directors of the Company.

"*Canadian Closed Block*" means the mechanism established pursuant to Article IX for the purpose of providing, over time, for the reasonable dividend expectations of the holders of certain participating intermediate monthly premium life insurance policies, weekly premium life insurance policies and related riders and supplementary benefits issued by the Company's Canadian branch, as set forth in the Canadian Closed Block Memorandum, attached hereto as Exhibit H.

"*Chapter 17C*" means Chapter 17C of Title 17 of the New Jersey Revised Statutes.

"*Class B Stock*" means the Class B Stock, par value \$0.01 per share, of the Holding Company.

"*Closed Block*" means the mechanism established pursuant to Article IX for the purpose of providing, over time, for the reasonable dividend expectations of the holders of Closed Block Policies. The Closed Block shall consist of the Closed Block Policies, the Closed Block Assets and the operating rules which define certain specified cash flows credited to and charged against the Closed Block, each as set forth in Article IX and the Closed Block Memorandum, attached hereto as Exhibit G. References herein to the Closed Block shall not include the Canadian Closed Block.

"*Closed Block Assets*" shall consist of (i) the Initial Closed Block Assets, (ii) cash flows from such assets, (iii) assets resulting from the reinvestment of such cash flows, (iv) cash flows from the Closed Block Policies and (v) assets resulting from the investment of such cash flows. Closed Block Assets shall include policy loans, accrued interest on any of the foregoing assets and due premiums on the Closed Block Policies. Closed Block Assets shall be adjusted to reflect Closed Block Policies issued or reinstated on or after the Closed Block Funding Date, as set forth in the Closed Block Memorandum. Closed Block Assets shall not include assets included in the Canadian Closed Block.

"Closed Block Funding Date" means July 1, 2000.

"Closed Block Memorandum" means the memorandum attached hereto as Exhibit G that sets forth the rules governing the establishment and operation of the Closed Block.

"Closed Block Policies" means:

(i) participating individual life insurance policies, along with all supplementary benefits and riders attached to all such policies, for which the Company has an experience-based dividend scale and for which (a) dividends are due, paid or accrued during 2000 by action of the Board, (b) no dividends are due during 2000 because recent issuance of such policies results in no dividends for an initial period, (c) no dividends are due during 2000 because such policies are in extended term insurance status, but the policies otherwise would satisfy the criteria of this subsection (i); or (d) no dividends are due during 2000 because the policies were issued in 2001, but the policies otherwise would satisfy the criteria of this subsection (i) if they had been in force during all or any part of 2000,

(ii) paid-up individual life insurance policies or riders which arose from the death of the primary insured under a policy that would have been a Closed Block Policy if it had been In Force on the Closed Block Funding Date, and

(iii) Participating Individual Retirement Annuity Contracts for which the Company has an experience-based dividend scale and for which contracts dividends are due, paid or accrued during 2000 by action of the Board.

Each policy, contract, supplementary benefit and rider described in (i) through (iii) above shall be a Closed Block Policy only to the extent that such policy, contract, supplementary benefit or rider (x) is In Force as of the Closed Block Funding Date; (y) becomes In Force after the Closed Block Funding Date pursuant to an application or other required form received by the Company on or prior to the Effective Date, including any policy issued or repurchased by an ADR Claimant pursuant to the ADR Memorandum; or (z) was In Force before the Effective Date and reinstated on or after the Closed Block Funding Date pursuant to the Company's normal administrative practices. "Closed Block Policies" does not include, among other things, (a) Interest Sensitive Life Insurance Policies or variable life insurance policies, (b) annuity contracts not described in (iii) above, (c) Supplementary Contracts, (d) group insurance policies or annuity contracts or (e) insurance policies or annuity contracts issued by the Company's Canadian branch.

"Code" means the Internal Revenue Code of 1986, as amended.

"*Commission-Free Sales and Purchases Program Memorandum*" means the memorandum attached hereto as Exhibit L that sets forth the rules governing the commission-free sales and purchases program or programs provided for in Section 14.1.

"*Commissioner*" means the Commissioner of Banking and Insurance of the State of New Jersey, or such governmental officer, body or authority as may succeed such Commissioner.

"*Common Stock*" means the common stock, par value \$0.01 per share, of the Holding Company.

"*Company*" means The Prudential Insurance Company of America, a New Jersey mutual life insurance company that will become, upon the consummation of this Plan, a New Jersey stock life insurance company.

"*Covered Fixed Annuity*" means an individual fixed annuity In Force on the Effective Date that is within the classes of annuities listed on Schedule J-1 to the Annuity Crediting Rate Requirements attached hereto as Exhibit J, where the issuing insurer has reserved the right to adjust the crediting rate periodically.

"*Covered Variable Annuity*" means an individual variable annuity In Force on the Effective Date that is within the classes of annuities listed on Schedule J-2 to the Annuity Crediting Rate Requirements attached hereto as Exhibit J, where the contract owner has the right to direct funds to be invested in the general account of the issuing insurer and the issuing insurer has reserved the right to adjust the crediting rate for such funds periodically.

"*Designated Subsidiary*" means the United States operations of any of the following: (i) Pruco Life Insurance Company; (ii) Pruco Life Insurance Company of New Jersey; or (iii) Prudential Select Life Insurance Company of America.

"*Destacking*" means the realignment of the ownership of certain subsidiaries, assets and non-insurance liabilities of the Company described in Section 3.3(a) and Schedule 3.3(a).

"*Destacking Extraordinary Dividend*" means one or more extraordinary dividends (within the meaning of Section 17:27A-4 of the New Jersey Revised Statutes) that may, on or within 30 days after the Effective Date, be effected by the Company as a part of the Destacking as described in Section 3.3(a) and Schedule 3.3(a).

"*Effective Date*" means the date on which the closing of the IPO occurs, which shall be a date occurring after (i) the respective approvals of this Plan by the Commissioner in accordance with Article X and the Qualified Voters in accordance with Article XI and (ii) the satisfaction of the other

conditions set forth in Article XIII; *provided, however*, that in no event shall the Effective Date be more than twelve months after the date on which the Commissioner has approved this Plan, unless such period is extended by the Commissioner.

"*Effective Time*" means 12:01 a.m., Eastern Standard Time or Eastern Daylight Time, as the case may be, in Newark, New Jersey, on the Effective Date.

"*Eligible Policy*" means a Policy that is In Force or deemed, as provided in Article VI, to be In Force as of the Adoption Date; *provided, however*, that "Eligible Policy" shall not include: (i) a Structured Settlement that has a Prudential Affiliate as its Owner; (ii) a Policy with respect to which the Company or a Prudential Affiliate is the owner of record and also the beneficial owner; or (iii) except as provided in the ADR Memorandum, a Policy purchased or reinstated by a Project Participant on or after February 10, 1998. Notwithstanding the foregoing sentence, each of the following shall be considered an Eligible Policy, *provided* that it is In Force or deemed, as provided in Article VI, to be In Force as of the Adoption Date: (i) a Policy held by or on behalf of any employee benefit plan sponsored by the Company or any Prudential Affiliate; (ii) a Policy that is an IRA (as defined herein) with respect to which the Company or a Prudential Affiliate serves as custodian; and (iii) a certificate or other evidence of interest in a group insurance policy or annuity contract deemed for purposes of this Plan to be a separate Policy pursuant to Section 5.4.

"*Eligible Policyholder*" means a Policyholder who is, or is deemed for purposes of this Plan to be, the Owner on or as of the Adoption Date of one or more Eligible Policies.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended.

"*ERISA Exemption*" means the exemption from Section 406(a) of ERISA and Section 4975 of the Code with respect to the receipt of consideration pursuant to this Plan by Eligible Policyholders that are employee benefit plans or IRAs (as defined herein) subject to the provisions of such sections, for which the Company shall have applied to the United States Department of Labor.

"*ERISA Opinion*" means the opinion of nationally recognized independent ERISA counsel engaged by the Company, dated as of the Effective Date and substantially to the effect that there is no reason to anticipate that the ERISA Exemption will not be granted in substantially the form requested, which opinion the Company will obtain and rely upon if the ERISA Exemption is not received on or before the Effective Date.

"*Exchange*" means the issuance by the Company to the Holding Company of 100 shares of common stock of the Company in exchange for the shares of Common Stock to be distributed to Eligible Policyholders in accordance with this Plan.

"*Fair and Equitable*" has the meaning ascribed to it in Chapter 17C, which is that any action undertaken with respect to this Plan provides for full and proper consideration of the aggregate Membership Interests and corresponding values of Eligible Policyholders, in no manner discriminates improperly among Eligible Policyholders and appropriately protects the interests of Eligible Policyholders before and subsequent to the Reorganization.

"*Fixed Component*" means that component of consideration allocable to each Eligible Policyholder (regardless of the number of Eligible Policies owned by such Eligible Policyholder on the Adoption Date) as provided in Section 7.1(b)(i). Such Fixed Component shall be equal to the sum of (x) the Basic Fixed Component and (y) the Additional Fixed Component, if any.

"*Flexible Factor Policy*" means any individual life insurance policy In Force on the Effective Date that is within the classes of policies listed on Schedule I-1 to the Flexible Factor Requirements attached hereto as Exhibit I, whether participating or nonparticipating, and associated riders, where the issuing insurer has reserved the right to modify (upward or downward) premiums, charges (expenses or cost of insurance) or credits (interest on contract funds or dividends) on the basis of future anticipated or emerging experience.

"*Flexible Factor Requirements*" means the rules set forth in Exhibit I applicable to modifications of Flexible Factors under Flexible Factor Policies.

"*Flexible Factors*" means, with respect to Flexible Factor Policies, current cost of insurance rates, current interest rates, current expense charges and, for indeterminate premium policies, current premiums, that in each case may be redetermined from time to time by the issuing insurer on the basis of projected future experience. Flexible Factors also means, solely for purposes of the Plan, (1) annual dividends paid with respect to life insurance policies marketed under the name "Life Builder," which are listed by policy form number on Schedule I-1 to the Flexible Factor Requirements attached hereto as Exhibit I and (2) termination dividends paid with respect to life insurance policies issued by Prudential and marketed under the names "Life Builder," "Appreciable Life" and "Variable Appreciable Life," which are listed by policy form number on Schedule I-1 to the Flexible Factor Requirements attached hereto as Exhibit I.

"*Formation Shares*" means those shares of Common Stock that the Holding Company shall have issued to the Company in connection with the formation of the Holding Company, in exchange for a nominal capital contribution by the Company to the Holding Company, by which exchange the Holding Company shall have become a wholly owned subsidiary of the Company.

"*401(k) Plan*" means the Prudential Employee Savings Plan, the profit sharing plan sponsored by the Company that is qualified under Section 401(a) of the Code and which also provides for elective deferrals of contributions by plan participants as described under Section 401(k) of the Code.

"*FSP*" means an annuity contract marketed by the Company under the name "Financial Security Program."

"*Funding Agreement*" means an insurance agreement providing for deposits with and payments by the insurer, pursuant to which the deposit, interest and payment structures may vary.

"*Great-West*" means The Great-West Life Assurance Company, an insurance company organized under the laws of Canada, which acquired London Life effective November 13, 1997, and any successor thereto.

"*Guaranteed Investment Contract*" means any unallocated group annuity contract, guaranteed interest contract or other similar instrument by whatever name in which the Company or a Designated Subsidiary agrees to guarantee a fixed or variable rate of interest for a specified period of time or a future payment that is payable at a predetermined date (subject in some contracts to earlier withdrawals upon the occurrence of contractually-specified events) on monies that are deposited with the insurer and under which payment is not contingent on the continuance of human life.

"*Hearing*" means the public hearing on this Plan that is required to be held pursuant to Chapter 17C.

"*Holding Company*" means a New Jersey stock business corporation to be named Prudential Financial, Inc.

"*IHC Debt Securities*" has the meaning set forth in Section 3.3(c)(i).

"*iMoneyNet Taxable Retail Average*" means The Money Fund Report Average™ Taxable Retail 30-day (compound) Yield, which is a composite index of average returns of certain categories of mutual funds that invest in high quality short-term (maturities of less than 13 months) money market securities that is published by iMoneyNet, Inc., and shall include any substantially similar index published by iMoneyNet, Inc., or published by any corporate successor of iMoneyNet, Inc., or published by any assignee of the right to publish such index, in the event that iMoneyNet, Inc. (or such corporate successor or assignee) changes the name of such index.

"*In Force*" means, with respect to a Policy, that such Policy is in force or deemed to be in force for purposes of this Plan, in each case as determined by the rules set forth in Article VI.

"*Initial Allocable Shares*" means the 600 million shares of Common Stock representing the aggregate number of shares allocable for the sum of all Basic Fixed Components and the Aggregate Basic Variable Component.

"Initial Closed Block Assets" means the portion of the assets of the Individual Insurance and Annuity segment of the Company's general account assets, together with policy loans, accrued interest and premiums due on the Closed Block Policies, that has been allocated to the Closed Block as of the Closed Block Funding Date in accordance with the Closed Block Memorandum, attached hereto as Exhibit G.

"Initial Stock Price" means the initial public offering price per share at which Common Stock is sold to the public in the IPO.

"Interest Sensitive Life Insurance Policy" means an individual life insurance policy under the provisions of which separately identified interest credits (other than in connection with dividend accumulations, premium deposit funds or other supplementary accounts) and mortality charges are made to the policy.

"Intermediate Holding Company" means a corporation or limited liability company to be formed under New Jersey law that will be a wholly owned direct subsidiary of the Holding Company and the direct parent of the Company as a result of the transactions contemplated by this Plan.

"Internal Revenue Service" means the United States Internal Revenue Service.

"IPO" means the initial public offering by the Holding Company of shares of Common Stock.

"IRA" means, for purposes of this Plan, an individual retirement annuity (including certain pre-November 8, 1978 endowment contracts) described in Section 408(b) of the Code, which for purposes of this definition shall include an annuity contract held under an individual retirement account (as described in Code Section 408(a)), a SEP (as described in Code Section 408(k)), a SIMPLE IRA (as described in Code Section 408(p)) or a Roth IRA (as described in Code Section 408A). IRA does not, for purposes of this Plan, include any individual retirement account described in Sections 408 and 408A of the Code under which no insurance policy or annuity contract has been issued.

"Living Needs Benefit" means a settlement option to provide acceleration of death benefits under a life insurance policy or certificate.

"London Life" means London Life Insurance Company, an insurance company organized under the laws of Canada, to which the Company transferred a portion of its Canadian business pursuant to the Transfer and Assumption Agreement, entered into pursuant to the Master Agreement dated May 22, 1996 between the Company and London Life, and any successor thereto.

"Membership Interest" means all the rights and interests of a Policyholder (including without limitation any Eligible Policyholder) as a member of the Company arising (i) under the Company's

charter and by-laws, or (ii) by law or otherwise, including under this Plan, which rights and interests include, but are not limited to, the right, if any, to vote and any right with regard to the surplus of the Company not apportioned or declared by the Board for policyholder dividends.

"*National Life*" means The National Life Assurance Company of Canada, an insurance company organized under the laws of Canada, with which the Company jointly issued certain policies pursuant to a reinsurance agreement effective as of September 1, 1986 between the Company and National Life.

"*New Jersey Insurance Holding Company Systems Act*" means Sections 17:27A-1 through 17:27A-14, inclusive, of the New Jersey Revised Statutes.

"*Notice of Hearing*" means the notice of the Hearing that the Company shall mail to each Person who was a Policyholder as of the Adoption Date.

"*Notice of Special Meeting*" means the notice of the Special Meeting that the Company shall mail to Persons who are Qualified Voters as of the Adoption Date setting forth the reasons for the Special Meeting and the time and place of the Special Meeting, and enclosing a ballot for each such Qualified Voter.

"*Other Qualified Plans*" means any of the following: (i) an individual life insurance policy that has been issued and held by an individual in connection with a plan qualified under section 401(a) or 403(a) of the Code to provide incidental life insurance protection; (ii) an individual annuity contract issued and held by an individual in connection with an ongoing plan qualified under section 401(a) or 403(a) of the Code; or (iii) an individual annuity contract that has been distributed from a plan qualified under section 401(a) or 403(a) of the Code directly to the plan participant prior to the Effective Date.

"*Owner*" means, with respect to any Policy, the Person or Persons specified as owner or deemed to be the owner of the Policy for purposes of this Plan, in each case as determined by the rules set forth in Article V.

"*Participating Individual Retirement Annuity Contract*" means a participating deferred annuity with both a fixed premium and a guaranteed cash value.

"*Person*" means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, limited liability partnership, trust, government or governmental agency, State or political subdivision of a State, board, estate, trustee, fiduciary or any other legal entity.

"*Plan*" means this Plan of Reorganization, together with all Exhibits and Schedules, as originally adopted and as it may from time to time hereafter be amended, supplemented or modified as provided herein.

"*Policy*" has the meaning set forth in Article IV.

"*Policy Credit*" has the meaning set forth in Section 8.2.

"*Policyholder*" means the Person who is, or Persons who collectively are, the Owner, or who is or are deemed for purposes of this Plan to be the Owner, of a Policy. A Person who is, or is deemed for purposes of the Plan to be, or Persons who collectively are, or are deemed for purposes of this Plan to be, the Owner of more than one Policy in more than one legal capacity (*e.g.*, as trustee under each of two or more separate trusts) shall be deemed for purposes of this Plan to be a separate Policyholder in each such capacity.

"*Project Participant*" means any of the officers or directors of the Company, any of certain employees of the Company or a Prudential Affiliate, or certain related Persons, all as identified pursuant to the Company's internal policies or administrative practices on or after February 10, 1998, for the purpose of excluding such persons, except as provided in the ADR Memorandum, from eligibility to receive consideration under this Plan with respect to Policies acquired or reinstated by such persons after the later of February 10, 1998 or the date they became an officer, director or designated employee or related person.

"*Prudential Affiliate*" means a Person that as of a given date directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Company. Where used herein, the term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position with or corporate office held by the Person. Control shall be presumed to exist if any Person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of any other Person.

"*Qualified Voter*" has the meaning set forth in Chapter 17C.

"*Records*" means books, files and other written or electronic records of the Company (including the Company's Canadian branch), a Designated Subsidiary, London Life, National Life, an Aetna Company or Great-West, as applicable in the context, including but not limited to the administrative systems of such entity.

"*Reorganization*" means the conversion of the Company, pursuant to this Plan, from a mutual life insurance company to a stock life insurance company that is an indirect wholly owned subsidiary of the Holding Company.

"*Resolution Procedures*" means the procedures established by the Company for resolving inquiries and disputes as to (x) the identity of the Owner of a Policy or the right of a Person to receive consideration under this Plan, (y) whether a Policy is In Force and (z) the right of a Person to vote on this Plan. Such procedures shall be included in the publicly available record of the Reorganization maintained by the Commissioner, shall be available for inspection by the public at reasonable times at facilities maintained by the Company and shall be transmitted to any policyholder who requests a copy.

"*Rewritten Health Policy*" means any policy of health insurance (as defined in Title 17B of the New Jersey Revised Statutes) originally issued by the Company included in the business transferred to an Aetna Company pursuant to the Asset Transfer and Acquisition Agreement dated as of December 9, 1998 by and among the Company; Pruco Inc., a New Jersey corporation; Aetna, Inc., a Connecticut corporation; and Aetna Life Insurance Company, a Connecticut insurance corporation, as amended by Amendment No. 1 dated as of August 6, 1999, which, following notice by an Aetna Company or the Company of non-renewal or cancellation by the Company, has been succeeded by a policy of health insurance (as defined in Title 17B of the New Jersey Revised Statutes) issued by an Aetna Company.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Share Election Maximum*" shall mean a whole number of shares of Common Stock, to be determined by the Board at any time prior to the Effective Date, not less than the number of shares of Common Stock constituting the Basic Fixed Component of consideration as set forth in Section 7.1(b)(i)(A) and not greater than 50 except in both cases as adjusted pursuant to Section 14.7.

"*Special Meeting*" means the special meeting at which all Persons who are Qualified Voters as of the Adoption Date, as shown on the Records of the Company, shall be entitled to vote on a proposal to approve this Plan (including without limitation the transactions described in Section 3.3, Schedule 3.3(a) and Schedule 3.3(c)(i)).

"*State*" means the District of Columbia, Puerto Rico and any state, territory or insular possession of the United States of America.

"*Stipulation of Settlement*" means the Stipulation of Settlement dated October 28, 1996 and amended on February 22, 1997 filed in the United States District Court for the District of New Jersey in settlement of the actions collectively entitled In re: The Prudential Insurance Company of America

Sales Practice Litigation, MDL Docket No. 1061, Master Docket No. 95-4704 (AMW), containing the provisions of the remediation plan that contains ADR.

"*Stock Option Plan*" has the meaning set forth in Section 14.3(a).

"*Structured Settlement*" means a Policy that is an individual annuity contract that is intended at the time of issuance to qualify as a qualified funding asset as defined in Section 130(d) of the Code.

"*Supplementary Contract*" means any contract to effect a settlement or payment option under a life insurance policy or annuity contract, including any retained asset account operated under the name "Alliance Account" established in connection with benefits paid under an individual or group life insurance policy and any Living Needs Benefit in which the policyholder, or, in certain cases, the group certificate holder, has elected to receive periodic payments in full or partial settlement of its rights under the policy. Supplementary Contract shall not include (i) any retained asset account operated under the name "Heritage Account" established in connection with the payment of benefits under an individual or group life insurance policy; (ii) any Living Needs Benefit to the extent that the policyholder or the group certificate holder has elected to receive a lump-sum distribution in full or partial settlement of their rights under the policy; or (iii) any payment of a matured annuity under an annuity contract.

"*Tax Counsel*" means nationally recognized independent tax counsel retained by the Company.

"*TDA*" means a Policy that is a tax deferred annuity contract described in Section 403(b) of the Code, or a Policy that is an individual life insurance policy issued and held as part of such tax deferred annuity to provide incidental life insurance protection.

"*The Class B Stock/IHC Debt Securities Schedule*" means the schedule attached hereto as Schedule 3.3(c)(i) describing the private offerings of shares of Class B Stock and IHC Debt Securities.

"*The Destacking Schedule*" means the schedule attached hereto as Schedule 3.3(a) describing the Destacking.

"*Title 17*" means Title 17 of the New Jersey Revised Statutes.

"*Top-up Period*" means the first twenty trading days during which the Common Stock is traded on the primary exchange where it is listed.

"*Total Allocable Shares*" means the number of Allocable Shares representing the total value of the Company allocable among Eligible Policyholders in the Reorganization. Such number shall

consist of the sum of (i) the Initial Allocable Shares plus (ii) the number of shares allocable in respect of the aggregate of all Additional Fixed Components and all Additional Variable Components.

"Transferred Canadian Policy" means an insurance policy or annuity contract, including without limitation a Supplementary Contract, issued by the Company's Canadian branch and transferred to London Life by means of the Transfer and Assumption Agreement, pursuant to the Master Agreement dated May 22, 1996 between the Company and London Life.

"United States" means the United States of America and shall include all States, including the District of Columbia, Puerto Rico and any state, territory or insular possession of the United States of America.

"Variable Component" means that component of consideration allocable to each Eligible Policy as provided in Section 7.1(b)(ii). Such Variable Component shall be equal to the sum of (i) the Basic Variable Component and (ii) the Additional Variable Component, if any.

ARTICLE II PURPOSE OF PLAN

The principal purpose of this Plan is to set forth the terms and conditions of the conversion of the Company from a mutual life insurance company into a stock life insurance company that is an indirect wholly owned subsidiary of the Holding Company (the "Reorganization"). The Reorganization of the Company pursuant to this Plan will distribute the total value of the Company to all Eligible Policyholders in the form of shares of Common Stock, cash or Policy Credits upon the extinguishment of all Membership Interests in existence on the Effective Date, thereby affording Eligible Policyholders the opportunity to realize economic value from their Membership Interests that is otherwise unavailable to them except in the unlikely event of a liquidation of the Company. The Reorganization will not adversely change existing contractual provisions as to premiums, policy benefits, dividend eligibility, values, guarantees or other current policy obligations of the Company to its Policyholders. The Reorganization will also allow the Company to respond to changes in the financial services industry and to compete more effectively on a global basis, and will offer the Company greater flexibility for future growth. In addition, the Reorganization will afford increased financial flexibility to raise and allocate capital among various Prudential Affiliates and to provide greater access to the equity capital markets.

ARTICLE III THE REORGANIZATION

Section 3.1 *Membership Interests.* Pursuant to and in accordance with this Plan and Chapter 17C, all Eligible Policyholders have Membership Interests that entitle such Eligible Policyholders to receive shares of Common Stock, cash or Policy Credits upon extinguishment of all Membership Interests in existence on the Effective Date.

Section 3.2 *Effect of Reorganization on the Company, the Intermediate Holding Company and the Holding Company.* (a) The Company is currently organized as a mutual life insurance company. The Holding Company and the Intermediate Holding Company shall have been formed prior to, or shall be formed on, the Effective Date. The amended and restated certificate of incorporation of the Holding Company in effect on the Effective Date shall be substantially in the form of Exhibit A, except as provided below. The amended and restated by-laws of the Holding Company in effect on the Effective Date shall be substantially in the form of Exhibit B. The Holding Company shall have been formed as a wholly owned subsidiary of the Company through the issuance by the Holding Company of the Formation Shares to the Company in exchange for a nominal capital contribution by the Company to the Holding Company. Notwithstanding any number of authorized shares of Common Stock provided for in Exhibit A, the amended and restated certificate of incorporation of the Holding Company in effect on the Effective Date may, without any amendment to this Plan, authorize the issuance of a greater number of shares of Common Stock than is necessary to meet the requirements of this Plan and any number of shares of preferred stock. If the Company determines to effect one or more of the transactions described in Section 3.3(c), the amended and restated certificate of incorporation and the amended and restated by-laws of the Holding Company in effect on the Effective Date may contain such provisions, including without limitation provisions authorizing the issuance of Class B Stock, as the Board determines to be desirable to meet the requirements of such transactions.

(b) On the Effective Date and after giving effect to the transactions contemplated hereby, the following shall be deemed to have occurred, and this Plan shall be deemed to have become effective, as of the Effective Time:

- (i) the Company shall become a stock life insurance company by operation of Chapter 17C;
- (ii) the Company and the Holding Company shall effect the Exchange, and the Company shall surrender to the Holding Company, for no consideration, and the Holding Company shall cancel, all of the Formation Shares;

- (iii) as a result of the Exchange, the Company shall become a wholly owned subsidiary of the Holding Company;
- (iv) all Membership Interests in existence on the Effective Date shall be extinguished, and shares of Common Stock, cash or Policy Credits shall be provided to or for the accounts of all Eligible Policyholders in accordance with Article VIII upon extinguishment of such Membership Interests;
- (v) the Holding Company shall sell shares of Common Stock in the IPO for cash; and
- (vi) the Holding Company shall contribute all of the issued and outstanding shares of capital stock of the Company to the Intermediate Holding Company in exchange for the issuance by the Intermediate Holding Company of all of its outstanding equity interests to the Holding Company.

(c) On or prior to the Effective Date, the Company shall file with the Secretary of State of the State of New Jersey and the New Jersey Department of Banking and Insurance the Company's amended and restated charter, substantially in the form of Exhibit C. The Company's amended and restated charter, and its amended and restated by-laws substantially in the form of Exhibit D, shall take effect as of the Effective Time.

(d) On the Effective Date, following the consummation of the transactions contemplated hereby, (i) the issued and outstanding capital stock of the Holding Company shall consist exclusively of (A) shares of Common Stock distributed to Eligible Policyholders upon the extinguishment of all Membership Interests in accordance with this Plan, (B) shares of Common Stock issued and sold in the IPO, (C) shares of Class B Stock, if any, issued and sold in the private placement referred to in Section 3.3(c)(i), and (D) shares of capital stock, if any, issued in private placements or public offerings pursuant to Section 3.3(c)(ii); (ii) the issued and outstanding capital stock of the Company shall consist exclusively of the 100 shares of its common stock issued to the Holding Company in the Exchange and contributed to the Intermediate Holding Company; and (iii) the issued and outstanding equity interests of the Intermediate Holding Company shall consist exclusively of the equity interests issued to the Holding Company in consideration of the contribution by the Holding Company to the Intermediate Holding Company of the 100 shares of common stock of the Company.

(e) The Company shall act in good faith to convey, or cause to be conveyed, (i) shares of Common Stock to Eligible Policyholders that are to receive Common Stock pursuant to this Plan, within 45 days after the Effective Date, and (ii) cash and Policy Credits to Eligible Policyholders that are to receive cash and Policy Credits pursuant to this Plan, within 45 days after the expiration of the

Top-up Period, in each case in accordance with Section 8.5 and subject to the ADR Memorandum attached hereto as Exhibit E.

(f) The Company and the Holding Company shall arrange for the registration and public trading of the Common Stock on a national securities exchange, facilitate coverage by research analysts, conduct management presentations to potential investors and analysts and secure the commitment of a specialist firm to make a market in the Common Stock.

(g) The Company and the Holding Company shall require the managing underwriters for the IPO to conduct the offering process in a manner that is consistent with customary practices for similar offerings. On or prior to the Effective Date, (x) the Company shall have received an opinion from a qualified, nationally recognized investment banker engaged by the Company that, as of the date of such opinion, the requirements of the previous sentence have been complied with in all material respects and (y) the Company shall deliver a copy of such opinion to the Commissioner. The Commissioner and the Commissioner's financial advisors shall be given access to the process and information that leads to the pricing of the Common Stock in the IPO, it being understood that at the conclusion of the process the Board or a committee thereof shall make the final pricing determination in executive session. The Commissioner shall find that the terms of the IPO promote the best interests of Eligible Policyholders.

Section 3.3 *Destacking and Other Financial Transactions.* In connection with the Reorganization, the Company may, but shall not be required to, effect any or all of the Destacking and the other financial transactions described in this Section 3.3. The completion of any or all of such transactions shall not be a condition to the effectiveness of this Plan. In addition to the approval by the Commissioner of this Plan under Chapter 17C and Article X, the Destacking and other financial transactions described in this Section 3.3 shall be subject to any separate respective approvals by the Commissioner under all other applicable requirements of New Jersey insurance law, including without limitation the New Jersey Insurance Holding Company Systems Act.

(a) The Destacking. As part of the Reorganization, the ownership of certain subsidiaries, assets and non-insurance liabilities of the Company will be realigned pursuant to the Destacking on or within 30 days after the Effective Date, as described more fully in Schedule 3.3(a), and such subsidiaries, assets and non-insurance liabilities will no longer be owned by the Company; *provided, however*, that if regulatory approvals are not obtained for all actions set forth in said Schedule 3.3(a) or if the Board otherwise determines that it would be in the best interest of the Company and no less favorable to the policyholders of the Company not to pursue all of such actions on or within 30 days following the Effective Date, the Company may take any one or more of such actions as would result in a partial realignment of the subsidiaries, assets and non-insurance liabilities of the Company as determined by the Board to be permitted under applicable law, or no such actions. The Destacking shall be effected by means of the Destacking Extraordinary Dividend by the Company to the Holding Company or to the Intermediate

Holding Company and thereafter to the Holding Company, such Destacking Extraordinary Dividend to consist of (i) shares of capital stock or other equity interests of certain of the subsidiaries of the Company, and (ii) other assets and non-insurance liabilities of the Company as specified in Schedule 3.3(a). The limitation on the size of the Additional Extraordinary Dividend provided for in the definition of such term in Article I shall not apply to the size of the Destacking Extraordinary Dividend. The Destacking, including without limitation the Destacking Extraordinary Dividend, shall be considered at the Hearing provided for in Article X and shall be subject to the prior written approval of the Commissioner. If the Company determines to proceed with the Destacking or a partial Destacking in accordance with this Section 3.3(a), the Destacking or such partial Destacking shall be subject to all applicable requirements under the New Jersey Insurance Holding Company Systems Act, including any requirement that the Destacking Extraordinary Dividend included in the Destacking or such a partial Destacking shall be subject to the Commissioner's prior written approval.

(b) Additional Extraordinary Dividend. The Company may, but shall not be required to, on or within 30 days after the Effective Date, effect an Additional Extraordinary Dividend, subject to the requirements of the New Jersey Insurance Holding Company Systems Act, including without limitation any requirement that such Additional Extraordinary Dividend shall be subject to the Commissioner's prior written approval. Any such Additional Extraordinary Dividend shall be considered at the Hearing provided for in Article X.

(c) Other Financial and Reinsurance Transactions. The Holding Company, the Intermediate Holding Company and the Company may, but shall not be required to, effect the following other transactions pursuant to this Plan:

(i) Prior to, on or within 30 days after the Effective Date, the Holding Company and the Intermediate Holding Company, as applicable, may sell, in one or more private offerings: (A) shares of Class B Stock in accordance with The Class B Stock/IHC Debt Securities Schedule attached hereto as Schedule 3.3(c)(i) and/or (B) debt securities issued by the Intermediate Holding Company ("IHC Debt Securities") in accordance with The Class B Stock/IHC Debt Securities Schedule attached hereto as Schedule 3.3(c)(i). Such IHC Debt Securities may be secured by a pledge of shares of common stock of the Company held by the Intermediate Holding Company, and the maximum aggregate principal amount of any such offering of IHC Debt Securities shall not exceed such amount as would result in the shares of common stock of the Company pledged to secure such IHC Debt Securities exceeding 49% of the number of issued and outstanding shares of common stock of the Company. Any foreclosure on shares of common stock of the Company upon a default on IHC Debt Securities that would constitute an acquisition within the meaning of Section 17:27A-1(j) of the New Jersey Revised Statutes shall be subject to the prior written approval of the Commissioner under the New Jersey Insurance Holding Company Systems Act.

(ii) In addition to the IPO and, if any, the private offerings of Class B Stock and IHC Debt Securities described in Section 3.3(c)(i), the Holding Company and the Intermediate Holding Company may also raise funds for use in connection with the Plan prior to, on or within 30 days after the Effective Date through one or more of the following: (A) a private or public offering of debt, additional Common Stock, preferred stock or other equity securities of the Holding Company or the Intermediate Holding Company; options, warrants, purchase rights, subscription rights or other securities exchangeable for or convertible or exercisable into any of the foregoing; or any combination of any of the foregoing; or (B) bank borrowings. Funds raised pursuant to this Section 3.3(c)(ii) shall be in such amount or amounts as the Board or the board of directors of the Holding Company or duly authorized committee thereof shall determine. If the Company determines to effect any offering or borrowing pursuant to this Section 3.3(c)(ii), the Company shall give prior notice of such transaction to the Commissioner, and any sale of preferred stock or other equity securities, or securities exchangeable for or convertible or exercisable into Common Stock, by the Holding Company or the Intermediate Holding Company pursuant to this Section 3.3(c)(ii), shall be subject to the specific approval of the Commissioner under Section 3.c.(1) or Section 6 of Chapter 17C, or both, as applicable.

(iii) On or after the Effective Date, subject to the receipt of the required approvals, the Company may enter into one or more agreements to reinsure or otherwise transfer all or part of its risks under the Closed Block Policies, pursuant to and subject to the provisions of Section 9.2(h).

Section 3.4 *Exemption from Registration.* In issuing Common Stock for distribution to Eligible Policyholders, the Company and the Holding Company will rely on the exemption from registration under the Securities Act provided by Section 3(a)(10) of the Securities Act based on the Commissioner's determination in accordance with Chapter 17C following the Hearing contemplated by Article X.

ARTICLE IV POLICIES

Section 4.1 *Policies.* For purposes of this Plan, the following shall be policies issued, or deemed for purposes of this Plan to be issued, by the Company (each, a "Policy"):

- (a) each of the following that has been issued by the Company, issued in the United States by a Designated Subsidiary or assumed by the Company through an assumption reinsurance agreement: (i) an individual or group life insurance policy (including, without limitation, a pure endowment contract), annuity contract or health insurance policy as defined in Title 17B of the New Jersey Revised Statutes, including without limitation a Transferred Canadian Policy and a Rewritten Health

Policy; (ii) a Funding Agreement; (iii) a Guaranteed Investment Contract; and (iv) a Supplementary Contract, *provided, however*, that any Supplementary Contract issued to effect the annuitization of an individual deferred annuity shall be treated with such deferred annuity as one Policy;

- (b) a certificate or other evidence of an interest in a group insurance policy or annuity contract issued by the Company, issued in the United States by a Designated Subsidiary or assumed by the Company through an assumption reinsurance agreement, the holder of which certificate or other evidence is a Person deemed for purposes of this Plan to be an Owner of a separate Policy under Section 5.4; and
- (c) each life insurance policy jointly issued by the Company and National Life pursuant to a reinsurance agreement,

in any case regardless of whether it has been ceded by the Company or the Designated Subsidiary in an indemnity reinsurance transaction.

Section 4.2 *Duration of Membership Interests.* The Membership Interest of a Policyholder, including without limitation an Eligible Policyholder, with respect to a Policy shall be considered for purposes of this Plan to have existed from the time that the Policy to which it relates first became In Force as determined in accordance with Article VI.

Section 4.3 *Exclusions.* The following policies, contracts and other instruments shall not be Policies for purposes of this Plan:

- (a) any policy, contract or other instrument issued outside the United States by a Designated Subsidiary;
- (b) any policy or contract ceded to the Company or a Designated Subsidiary on an indemnity reinsurance basis, except a policy or contract that would otherwise be a Policy under Section 4.1;
- (c) any policy or contract issued by the Company or a Designated Subsidiary that was ceded to another insurer in an assumption reinsurance transaction, other than a Transferred Canadian Policy;
- (d) any certificate of insurance or other evidence of interest in a group insurance policy or annuity contract, except as provided under Section 4.1(b) above;

- (e) a limited insurance agreement; and
- (f) an "administrative services only" contract.

ARTICLE V

DETERMINATION OF OWNERSHIP

Unless otherwise provided in this Article V and subject to the ADR Memorandum, the owner or deemed owner for purposes of this Plan of any Policy as of any date (each, an "Owner") shall be determined on the basis of the applicable Records as of such date in accordance with the following provisions. Multiple Persons determined pursuant to this Article V to be collectively the owner of a single Policy shall be treated as a single Owner.

Section 5.1 *Individual Policies.* Except as specified in Section 5.2, the Owner of a Policy shall be the insured under a Policy that is an individual insurance policy or the Person to whom a Policy is payable by its terms in the case of a Policy that is an individual annuity contract unless, in either case, a different Person is designated as the owner in the applicable Records, in which case such different Person shall be the Owner.

Section 5.2 *Structured Settlements.* With respect to a Structured Settlement, the Owner shall be the entity named as the owner in such Policy, as modified by any subsequent document that may be reflected in the applicable Records.

Section 5.3 *Group Policies.* Except as otherwise specified in Section 5.4 with respect to certain group policies and contracts issued to groups and trusts established by the Company, the Owner of a Policy that is a group insurance policy, a group annuity contract, a Guaranteed Investment Contract or a Funding Agreement shall be the Person or Persons specified as the policyholder or contract holder in the master policy or contract, as reflected in the applicable Records.

Section 5.4 *Certain Group Policies and Contracts Issued to Groups and Trusts Established by the Company.* (a) In the case of a Policy issued to a trust established by the Company, as described in Section 5.4(b) (other than a trust established pursuant to any employee benefit plan (as such term is defined under ERISA) sponsored by the Company or a Prudential Affiliate), the trustee of such trust shall not be the Owner with respect to such Policy, but rather each participating employer under such trust as specified in Section 5.4(c)(i) and each certificate holder or holder of a confirmation of enrollment or other evidence of interest as specified in Section 5.4(c)(ii) (in all cases as shown in the applicable Records) shall be deemed for purposes of this Plan to be the Owner of a separate Policy, as permitted by the definition of "policy" set forth in Chapter 17C. Each such separate Policy shall be deemed for purposes of this Plan to be In Force as of any given date if (as shown in the applicable Records) the participation agreement, certificate, confirmation of enrollment or other evidence of interest held by such Person, as

specified in Sections 5.4(c)(i) and (ii), is in effect as of such date; *provided, however*, that nothing herein shall preclude the trustee of such trust from being a Qualified Voter under this Plan if the trustee of such trust satisfies the definition of Qualified Voter set forth in this Plan.

(b) A trust shall be considered for purposes of this Section 5.4 to have been established by the Company if the settlor of such trust is the Company.

(c) For purposes of this Section 5.4, the Person or Persons that shall be deemed to be the Owners of separate Policies with respect to a Policy issued to a trust established by the Company to which this Section 5.4 applies shall be the Person or Persons with which the Company has the economic relationship with respect to the Policy. Such economic relationship shall be presumed to exist:

- (i) in the case of a Policy issued to a multiple employer trust or other trust established by the Company for the benefit of one or more employers (other than Policies held by or on behalf of employee benefit plans sponsored by the Company or a Prudential Affiliate), with each participating employer in the trust (but not with the certificate holders who are employees of a participating employer); and
- (ii) in the case of a Policy issued to a trust established by the Company other than as described in Section 5.4(c)(i) (and other than Policies held by or on behalf of employee benefit plans sponsored by the Company or a Prudential Affiliate), with each certificate holder or holder of a confirmation of enrollment or other evidence of an interest in the Policy.

Because groups established by the Company are organized as trusts, the only groups established by the Company are the trust arrangements described in Section 5.4(c).

Section 5.5 *Assignment.* Notwithstanding Sections 5.1, 5.2, 5.3 and 5.4, the Person to whom a Policy has been assigned by an assignment of ownership thereof absolute on its face and filed in accordance with the provisions of such Policy and the rules with respect to the assignment of such Policy in effect at the time of such assignment, in each case as shown in the applicable Records, shall be the Owner of such Policy; *provided, however*, that if the holder of a Policy absolutely assigns the Policy to an insurer other than the Company or a Prudential Affiliate pursuant to an exchange qualifying as a non-taxable transaction pursuant to Section 1035 of the Code or otherwise, ownership shall not be deemed to have been transferred as of any date until the Company has paid the surrender value of the Policy to such new insurer. Unless an assignment satisfies the requirements specified for such an assignment in this Section 5.5, the determination of the Owner of a Policy shall be made without giving effect to such

assignment. In the case of an assignment of a security interest in a Policy in which the assignor retains ownership of the Policy, the Owner of the Policy shall be such assignor.

Section 5.6 *No Other Interest Considered.* Except as otherwise set forth in this Article V, the identity of the Owner of a Policy shall be determined without giving effect to any interest of any other Person in such Policy.

Section 5.7 *Determination by the Company.* In any situation not covered expressly by the foregoing provisions of this Article V, the owner as reflected in the applicable Records and as determined in good faith by the Company, including as determined pursuant to Section 5.9, shall be presumed to be the Owner of such Policy for purposes of this Article V.

Section 5.8 *Mailing Address.* The mailing address of an Owner as of any date for purposes of this Plan shall be presumed to be the Owner's last known address as shown in the applicable Records as of such date or such other address as is determined in good faith by the Company to be appropriate.

Section 5.9 *Inquiries and Disputes.* Any inquiry or dispute as to the identity of the Owner of a Policy or the right of a Person to receive consideration shall be determined by the Company in good faith in accordance with the Resolution Procedures. The outcome of any such inquiry of or dispute with the Company shall be reflected in the Records of the Company for the purpose of determining the Owner of the Policy in accordance with this Article V.

ARTICLE VI IN FORCE

Section 6.1 *In Force Rules.*

(a) General Rule. For purposes of this Plan, and except as provided in Section 5.4(a) and the specific rules set forth in Section 6.1(b) and 6.1(c), a Policy shall be In Force as of any given date if the Policy has become, or is deemed for purposes of this Plan to have become, In Force and has not ceased to be In Force, in each case as determined on the basis of the applicable Records as of such date and in accordance with the provisions of this Article VI.

(b) In Force; Ceasing to be In Force; Reinstatement. Based upon the applicable Records, and except as otherwise set forth in Section 6.1(c),

(i) a Policy shall be deemed for purposes of this Plan to have become In Force as of any given date if, as of such date, all requirements and payment obligations,

if any, necessary to issue the Policy have been received; *provided, however*, that a Policy not otherwise In Force pursuant to this Article shall not be deemed for purposes of this Plan to have become In Force solely because insurance coverage is or has been provided by means of a limited insurance agreement prior to the date the Policy was issued;

- (ii) a Policy shall be considered to have ceased to be In Force (x) upon the expiration of any applicable grace period when it has lapsed for non-payment of premium and has not been continued as reduced paid-up insurance or extended term insurance, (y) when it has been surrendered or terminated, or (z) when it has matured by death.

- (A) a Policy shall be considered for purposes of this Plan to have lapsed for non-payment of premiums or to have been surrendered or terminated as of any given date only if so reflected in the applicable Records as of such date.

- (B) a Policy shall be considered for purposes of this Plan to be matured by death once notice of death is reflected in the applicable Records as having been received; and

- (iii) a Policy that has lapsed for non-payment of premiums shall be considered for purposes of this Plan to be reinstated and In Force as of any given date if, as of such date, (x) all other requirements of reinstatement have been met, and (y) the reinstatement has been reflected in the applicable Records.

(c) Rules for Specific Types of Policies. Based upon the applicable Records:

- (i) Individual Life Insurance Policies. In the case of a Policy that is an individual life insurance policy or pure endowment contract, such a Policy shall be deemed to have become In Force for purposes of this Plan as of any given date if, as of such date, all the following conditions have been met:

- (A) all underwriting requirements have been met, and the Company or Designated Subsidiary has completed all underwriting,

- (B) the contract has been issued and all other required forms, including the application, have been prepared, and any such forms requiring signature have been signed and received by the Company or Designated Subsidiary, and

- (C) the full initial premium for the Policy has been received by the Company or Designated Subsidiary.

Such Policy shall be considered for purposes of this Plan to have ceased to be In Force as determined in accordance with Section 6.1(b).

- (ii) Structured Settlements. A Policy that is a Structured Settlement shall be deemed for purposes of this Plan to have become In Force as of any given date if, as of such date, the Company has determined that underwriting requirements have been sufficiently satisfied to accept payment of the premium, the premium for such Structured Settlement has been received, and the Company has determined that it has become obligated to commence payments under the Policy, and it shall be considered for purposes of this Plan to have ceased to be In Force as determined in accordance with Section 6.1(b).
- (iii) Transferred Canadian Policies. A Policy that is a Transferred Canadian Policy shall be deemed for purposes of this Plan to be In Force with the Company as of any given date if (A) such Policy is in force with London Life as of such date as reflected in the applicable Records of London Life, (B) a policy issued by London Life, other than a Supplementary Contract issued by London Life, in satisfaction of a contractual provision of such Policy is in force with London Life as of such date as reflected in the applicable Records of London Life or (C) a group life and health insurance policy issued by Great-West is in force with Great-West as of such date as reflected in the applicable Records of Great-West, following notification to the Owner of such Transferred Canadian Policy that any future coverage associated with such Transferred Canadian Policy would be provided by means of a policy issued by Great-West. This Section 6.1(c)(iii) alone shall determine whether a Policy that is a Transferred Canadian Policy is In Force with the Company, notwithstanding any other provision of this Section 6.1.
- (iv) Certain Policies Issued to ADR Claimants. Each Policy issued to or reinstated or repurchased by an ADR Claimant after the Adoption Date in accordance with the ADR Memorandum shall be deemed for purposes of this Plan to be In Force as of the Adoption Date; *provided, however*, that such a Policy issued to or reinstated or repurchased by an ADR Claimant after the Adoption Date shall not be deemed to be In Force for the purpose of determining whether such ADR Claimant is a Qualified Voter as of the Adoption Date.

- (v) Rewritten Health Policies. A Policy that is a Rewritten Health Policy shall be deemed for purposes of this Plan to be In Force with the Company as of any given date if the policy of health insurance issued by an Aetna Company which succeeded such Rewritten Health Policy is in force with an Aetna Company as of such date as reflected in the applicable Records of an Aetna Company. This Section 6.1(c)(v) shall determine whether a Policy that is a Rewritten Health Policy is In Force with the Company, notwithstanding any other provision of this Section 6.1.
- (vi) Group Annuity Contracts, Guaranteed Investment Contracts and Funding Agreements.
 - (A) Except as set forth in Section 6.1(c)(vi)(B) below, a Policy that is a group annuity contract, Guaranteed Investment Contract or Funding Agreement shall be deemed for purposes of this Plan to be or to have become In Force as of the effective date of the contract, as reflected in the applicable Records.
 - (B) In the case of a separate group annuity contract issued upon exercise of a contractual right in the event of a contract holder's spin-off or divestiture of a company or division, such contract shall not be deemed for purposes of this Plan to be or to have become In Force as of any given date if the request for issuance of such contract is received by the Company or the Designated Subsidiary after such date notwithstanding that the contract has a retroactive effective date that is on or prior to such date.
 - (C) A Policy that is a group annuity contract, Guaranteed Investment Contract or Funding Agreement shall be deemed for purposes of this Plan to have ceased to be In Force when all of the following apply: (A) no further payments are due and payable by the Company or the Designated Subsidiary thereunder, (B) no further contributions are due and payable thereunder or are permitted without the Company's or the Designated Subsidiary's consent, and (C) no amount remains in any account thereunder, in each case as reflected in the applicable Records.
- (vii) Group Life and Health Policies. A Policy that is a group life or health policy shall be deemed for purposes of this Plan to be or to have become In Force as of any given date if, as reflected in the applicable Records, all of the following

requirements have been satisfied: (A) the Company or the Designated Subsidiary has assumed the underwriting risk on or before such date, (B) the Policy is in premium paying status on such date, and (C) the Policy effective date is on or before such date. Such a Policy shall be considered for purposes of this Plan to have ceased to be In Force if it is terminated, in each case as reflected in the applicable Records.

- (viii) Group Credit Insurance Policies. A Policy that is a group credit insurance policy shall be deemed for purposes of this Plan to be or to have become In Force when such Policy has been issued by the Company and delivered to the Person that signed the application for insurance, and the first certificate is issued under the Policy. Such a Policy shall be considered for purposes of this Plan to have ceased to be In Force as of any given date as determined on the basis of the applicable Records.

Section 6.2 *Inquiries and Disputes*. Any inquiry or dispute as to whether a Policy is In Force shall be determined by the Company in good faith in accordance with the Resolution Procedures. The outcome of any such inquiry of or dispute with the Company shall be reflected in the Records of the Company for the purpose of determining whether the Policy is or was In Force as of any given date in accordance with this Article VI.

ARTICLE VII

ALLOCATION OF POLICYHOLDER CONSIDERATION

Section 7.1 *Allocation of Total Allocable Shares*. (a) The allocation of consideration among Eligible Policyholders pursuant to Chapter 17C and this Plan shall be determined in accordance with this Article VII and the Allocation Principles and Methodology attached hereto as Exhibit F. Solely for purposes of calculating the amount of such consideration, each Eligible Policyholder shall be allocated notional Allocable Shares from the Total Allocable Shares in accordance with this Section 7.1 and Section 7.2. The actual form of the consideration to be received by Eligible Policyholders shall be determined in accordance with Article VIII.

(b) Each Eligible Policyholder shall be allocated consideration based on a number of Allocable Shares equal to the sum of the Fixed Component and the Variable Component of consideration, in each case to the extent specified below:

- (i) The Fixed Component. The Fixed Component of consideration shall consist of a Basic Fixed Component and, if applicable, an Additional Fixed Component.

- (A) Each Eligible Policyholder shall be allocated a single Basic Fixed Component of consideration (regardless of the number of Eligible Policies owned by such Eligible Policyholder as of the Adoption Date, including any Policies issued, reinstated or repurchased pursuant to the ADR Memorandum).
 - (B) Each Eligible Policyholder that will receive no consideration in the form of shares of Common Stock pursuant to this Plan but that will receive consideration consisting (1) entirely of cash in respect of one or more Eligible Policies under Section 8.1(d), (e), (f), (g) or (h), (2) entirely of Policy Credits in respect of one or more Eligible Policies under Section 8.1(a), (b) or (c), or (3) both cash and Policy Credits, shall receive an Additional Fixed Component equal to two Allocable Shares.
- (ii) The Variable Component. The Variable Component of consideration shall consist of a Basic Variable Component and, if applicable, an Additional Variable Component.
- (A) The Basic Variable Component of consideration shall be equal to the portion, if any, of the Aggregate Basic Variable Component allocated in respect of all Eligible Policies of an Eligible Policyholder.
 - (B) Each Eligible Policyholder that will receive no consideration in the form of shares of Common Stock pursuant to this Plan but that will receive consideration consisting (1) entirely of cash in respect of one or more Eligible Policies under Section 8.1(d), (e), (f), (g) or (h), (2) entirely of Policy Credits in respect of one or more Eligible Policies under Section 8.1(a), (b) or (c), or (3) both cash and Policy Credits, shall receive a single Additional Variable Component equal to the amount set forth opposite the applicable sum of the Basic Fixed Component and Basic Variable Component specified in the following table, which also illustrates the allocation of the Additional Fixed Component to each such Eligible Policyholder:

Number of Allocable Shares allocated to such Eligible Policyholder as the sum of the Basic Fixed Component and the Basic Variable Component	Number of Allocable Shares such Eligible Policyholder shall receive as the Additional Fixed Component	Number of Allocable Shares such Eligible Policyholder shall receive as the Additional Variable Component
25 or fewer	2	0
at least 26 but fewer than or equal to 35	2	1
at least 36 but fewer than or equal to 45	2	2
46 or more	2	(x) 10% of the number of Allocable Shares allocated to such Eligible Policyholder as the sum of the Basic Fixed Component and the Basic Variable Component <i>minus</i> (y) the two shares that constitute the Additional Fixed Component. Such number, if containing a fractional remainder, shall be rounded to the next highest whole number if such fractional remainder is 0.5 or greater and shall be rounded to the next lowest whole number if such fractional remainder is less than 0.5.

Notwithstanding anything herein to the contrary, no Eligible Policyholder shall be entitled to more than one Additional Fixed Component or more than one Additional Variable Component.

(c) Notwithstanding any other provision of this Section 7.1, and except as provided in the ADR Memorandum, no consideration shall be allocated or distributed in respect of any Policy acquired or reinstated by any Project Participant on or after February 10, 1998.

Section 7.2 *Allocation of Aggregate Basic Variable Component.* The Aggregate Basic Variable Component shall be allocated among Eligible Policyholders in respect of their Eligible Policies as follows:

(a) Such allocation shall be made to each Eligible Policyholder by multiplying the sum of the positive Actuarial Contributions of all Eligible Policies of an Eligible Policyholder by the Allocation Factor and rounding such amount to a whole number of Allocable Shares. Such rounding shall be conducted in such a manner as to minimize the difference between the sum of Eligible Policyholders' Basic Variable Components and the Aggregate Basic Variable Component. As a result of such rounding, the sum of Eligible Policyholders' Basic Variable Components will not necessarily be equal precisely to the Aggregate Basic Variable Component.

(b) The Company shall make reasonable determinations of the dollar amount of the Actuarial Contribution, which shall be zero or a positive number, for each Eligible Policy, in accordance with the Allocation Principles and Methodology attached hereto as Exhibit F.

(c) Each such Actuarial Contribution shall be determined as of the Actuarial Contribution Date on the basis of the applicable Records.

Section 7.3 *Reinstated Policies.* In the case of any reinstated Policy that is an Eligible Policy pursuant to this Plan, or any Policy reinstated or repurchased pursuant to the ADR Memorandum, the determination of such Policy's Actuarial Contribution pursuant to this Article VII shall be made based on the original issue date of such Policy and without regard to any lapse and reinstatement or any repurchase pursuant to the ADR Memorandum. If such Policy is reinstated pursuant to a form of ADR relief or a repurchase option described in the ADR Memorandum, additional calculations may be needed which could result in a larger Actuarial Contribution for such reinstated or repurchased Policy. Those calculations, and the circumstances in which they may be required, are described in the ADR Memorandum.

Section 7.4 *Policies Issued to ADR Claimants.* The method for determining the Actuarial Contribution of a Policy issued to an ADR Claimant in accordance with the ADR Memorandum is set forth in the ADR Memorandum.

Section 7.5 *Determination of Amount of Non-Stock Consideration.* If any consideration is to be paid or credited to an Eligible Policyholder in cash or Policy Credits pursuant to Article VIII, the amount of such consideration shall be equal to the number of Allocable Shares allocated to such Eligible Policyholder pursuant to this Article VII with respect to Eligible Policies as to which such non-stock consideration is payable as provided in Article VIII multiplied (a) by the Initial Stock Price or (b), if the average of the closing prices of the Common Stock on the primary exchange where such Common Stock is listed on each trading day during the Top-up Period exceeds 110% of the Initial Stock Price, by the sum of the Initial Stock Price plus the lesser of (i) the difference between such average closing price and 110% of the Initial Stock Price or (ii) 10% of the Initial Stock Price. If payment is made in cash, or by establishing on the books of the Holding Company a liability owed to an Eligible Policyholder, such payment or liability shall be net of any applicable withholding tax, such withheld tax to be remitted by the Company to the Internal Revenue Service in accordance with applicable law.

ARTICLE VIII

FORMS OF CONSIDERATION; DISTRIBUTION

Section 8.1 *Forms of Consideration.* The allocation of consideration payable to each Eligible Policyholder shall be based on a number of shares of Common Stock equal to the number of notional Allocable Shares that are allocated to such Eligible Policyholder in accordance with Article VII; *provided, however,* that the form of such consideration shall not in the case of every Eligible Policyholder be shares of Common Stock and shall instead be in the form of cash or Policy Credits (as defined in Section 8.2), based on the number of notional Allocable Shares allocated to such Eligible Policyholder as provided in Article VII, as follows:

(a) Policy Credits to the extent Allocable Shares are allocated with respect to an Eligible Policy that is as of the Effective Date a TDA (as defined herein);

(b) Policy Credits to the extent Allocable Shares are allocated with respect to an Eligible Policy that is as of the Effective Date an IRA (as defined herein);

(c) Policy Credits to the extent Allocable Shares are allocated with respect to an Eligible Policy that as of the Effective Date is or is held by one of the Other Qualified Plans (as defined herein);

(d) except as provided in Section 8.1(a) through (c), cash to the extent Allocable Shares are allocated to an Eligible Policyholder whose address for mailing purposes as shown in the applicable Records is located outside the United States as of the Effective Date;

(e) cash payable by the Company's Canadian branch in Canadian dollars to the extent Allocable Shares are allocated to an Eligible Policy denominated in Canadian dollars;

(f) except as provided in Section 8.1(a) through (c), an Eligible Policyholder for whom the Company does not have a valid address as of the Effective Date shall, at such time as the Company obtains a valid address for such Eligible Policyholder, be paid cash in an amount determined in accordance with Section 8.3; *provided, however*, that the Company shall, subject to Section 8.3, escheat such funds if required under applicable law to do so before such time;

(g) except as provided in Section 8.1(a) through (c), cash to the extent Allocable Shares are allocated with respect to an Eligible Policy and such Eligible Policy is known to the Company to be subject as of the Effective Date to a judgment lien, creditor lien (other than a policy loan made by the Company) or bankruptcy proceeding; *provided* that such cash shall be paid to the Eligible Policyholder only when the Company has received written evidence reasonably satisfactory to it that such Eligible Policy is no longer subject to a judgment lien or creditor lien;

(h) cash if and to the extent that (i) the number of shares of Common Stock allocated to such Eligible Policyholder in accordance with Section 7.1(b) in respect of the sum of such Eligible Policyholder's Basic Fixed Component and Basic Variable Component, less the number of such shares to be distributed in the form of cash or Policy Credits as otherwise provided in this Section 8.1, is equal to or less than the Share Election Maximum, which shall be determined by the Board at any time prior to the Effective Date, and (ii) the Eligible Policyholder has not affirmatively indicated a preference to receive shares of Common Stock in lieu of cash. Such preference shall be indicated on a form approved by the Commissioner and provided to such Eligible Policyholder that has been properly completed by such Eligible Policyholder and received by the Company prior to a date set by the Company and approved by the Commissioner. The determination of whether the number of shares described in (i) above is equal to or less than the Share Election Maximum shall be made without giving effect to any shares allocated to such Eligible Policyholder as the Additional Fixed Component or Additional Variable Component;

(i) in the case of an Eligible Policyholder holding multiple Eligible Policies all of which entitle such Eligible Policyholder to receive the same form of consideration, the Eligible Policyholder shall receive all of the consideration to which such Eligible Policyholder is entitled in such form. In the case where such form of consideration is Policy Credits, consideration shall be allocated among the Eligible Policies in respect of which such Eligible Policyholder is eligible to receive consideration in the same proportion as the relative Actuarial Contributions of such Eligible Policies, and the types of Policy Credits distributed in respect of such Eligible Policies shall reflect the same proportion. If all, but not less than all, such Eligible Policies have an Actuarial Contribution of zero, then the Fixed Component shall be allocated among such Eligible Policies on a pro rata basis based on the number of such Eligible Policies;

(j) in the case of an Eligible Policyholder holding multiple Eligible Policies which entitle such Eligible Policyholder to receive more than one form of consideration, consideration shall be allocated among the forms of consideration that such Eligible Policyholder is eligible to receive in the same proportion as the relative Actuarial Contributions of such Eligible Policyholder's Eligible Policies. If all, but not less than all, of such Eligible Policies have an Actuarial Contribution of zero, then the Fixed Component shall be allocated among such forms of consideration on a pro rata basis based on the number of such Eligible Policies. The allocation of any such consideration to shares of Common Stock as the form of consideration shall be rounded to a whole number of shares on the same basis as described in Section 7.2(a); *provided, however*, that the allocation of consideration to the other form or forms of consideration that the Eligible Policyholder is eligible to receive shall be rounded as necessary so that the total amount of consideration allocated to such Eligible Policyholder shall not be changed from that determined in accordance with Article VII.

Section 8.2 *"Policy Credits" Defined.* For purposes of this Plan, "Policy Credit" includes:

(a) dividend accumulations for an Eligible Policy that is (i) a life insurance policy other than an Interest Sensitive Life Insurance Policy or a variable life insurance policy, the status of which is (A) premium paying, (B) fully paid-up or (C) in reduced paid-up status for \$1,000 or more of face amount pursuant to a non-forfeiture provision of a life insurance policy, or (ii) a Participating Individual Retirement Annuity Contract in premium paying status;

(b) dividend additions for an Eligible Policy that is (i) a life insurance policy other than an Interest Sensitive Life Insurance Policy or a variable life insurance policy, that is in reduced paid-up status for less than \$1,000 of face amount pursuant to a non-forfeiture provision of a life insurance policy, (ii) an Interest Sensitive Life Insurance Policy or a variable life insurance policy that is in fixed reduced paid-up status pursuant to a non-forfeiture provision of a life insurance policy, or (iii) a Participating Individual Retirement Annuity Contract in reduced paid-up status pursuant to its non-forfeiture provision. Such

dividend additions shall be based upon the non-forfeiture interest rate and mortality assumptions specified in the Eligible Policy;

(c) an increase in account value (to which no sales or surrender or similar charges will be applied) for an Eligible Policy that is (i) an Interest Sensitive Life Insurance Policy or a variable life insurance policy whose status is premium paying, fully paid-up or variable reduced paid-up pursuant to a non-forfeiture provision of a life insurance policy, (ii) an individual deferred annuity contract not in pay-out status, or (iii) a group annuity contract;

(d) (i) an extension of the expiration date for an Eligible Policy which is extended term life insurance pursuant to a non-forfeiture provision of a life insurance policy if the extension does not extend to the original maturity date, or (ii) an extension of the expiration date to the maturity date and an endowment on the maturity date for an Eligible Policy which is extended term life insurance pursuant to a non-forfeiture provision of a life insurance policy if the extension in term period due to a policy credit extends to the original maturity date. The extension of the expiration date referred to in each of clauses (i) and (ii) shall be based upon the non-forfeiture interest rate and mortality assumptions specified in the Eligible Policy;

(e) a one-time additional payment distributed under an Eligible Policy that is an individual annuity contract in payout status; and

(f) any other feature which, subject to the requirements of applicable law, is necessary or appropriate to provide under an Eligible Policy in order to avoid a material adverse tax consequence for such Eligible Policy or Eligible Policyholder.

Section 8.3 *Distribution of Non-Stock Consideration.* If any consideration is to be paid or credited to an Eligible Policyholder in cash or Policy Credits pursuant to this Article VIII, the amount of such consideration shall be determined in accordance with Section 7.5, and such consideration shall be distributed in accordance with Sections 8.4, 8.5 and 8.6.

Section 8.4 *Currency; Exchange Rate.* Except as provided in Section 8.1(e) above, all payments in cash under this Plan shall be in United States dollars. If a payment in cash under this Plan is payable in Canadian dollars pursuant to Section 8.1(e), the amount shall be computed using the exchange rate between United States dollars and Canadian dollars published in the table entitled "Currency Trading," under the sub-heading "Exchange Rates" (or any successor table or sub-heading), in the final Eastern edition of *The Wall Street Journal* on the business day next preceding the Effective Date.

Section 8.5 *Delivery of Consideration.* The Company shall, subject to the ADR Memorandum, act in good faith to mail, or to cause the Holding Company's transfer agent to mail, within 45 days after the Effective Date, to each Eligible Policyholder that is to receive shares of Common Stock pursuant to this Plan, notice that such shares of Common Stock have been issued to such Eligible Policyholder in book-entry form as uncertificated shares. In the case of an Eligible Policyholder who following receipt of such notice directs the Company to provide a stock certificate, the Company shall act in good faith to promptly mail to such Eligible Policyholder a stock certificate representing such Eligible Policyholder's shares of Common Stock, registered in the name of such Eligible Policyholder. The Company shall, subject to the ADR Memorandum, Sections 8.1(f) and (g) and applicable law, act in good faith to provide to each Eligible Policyholder, within 45 days after the expiration of the Top-up Period, (a) a check in the amount of any cash to be received by such Eligible Policyholder and (b) to the extent an Eligible Policyholder is to receive Policy Credits, written notice that such Policy Credits have been awarded, which notice shall include a brief description of such Policy Credits.

Section 8.6 *Distribution to Eligible Policyholders Comprising Multiple Persons.* In the case of an Eligible Policyholder that comprises multiple Persons, consideration allocated in respect of that Eligible Policyholder in accordance with Article VII shall be distributed jointly to or on behalf of such Persons, within the applicable time period specified in Section 8.5.

ARTICLE IX

CLOSED BLOCK; PROVISIONS FOR CERTAIN POLICIES WITH NON-GUARANTEED ELEMENTS

Section 9.1 *Establishment and Purpose of the Closed Block.* (a) The Company shall establish the Closed Block in accordance with the requirements of this Article IX and the Closed Block Memorandum. Initial Closed Block Assets shall be determined in accordance with the Closed Block Memorandum. The Initial Closed Block Assets shall be allocated to the Closed Block in order to produce cash flows which, together with anticipated revenue from the Closed Block Policies, are expected to be reasonably sufficient to support the Closed Block Policies (including but not limited to the payment of claims, certain expenses and taxes) and to provide for the continuation of dividend scales payable in 2000 on the Closed Block Policies if the experience underlying such scales continues and for appropriate adjustments in such scales, as may be made by the Board consistent with the requirements of Section 9.2(c)(i), if such experience changes. In no event shall the Company be required to pay dividends on Closed Block Policies from assets that are not Closed Block Assets. Notwithstanding any other provision of this Article IX or of this Plan, the Company's decision to establish a Closed Block in connection with the Plan shall in no way constitute a guarantee with respect to any policy or contract that it will be apportioned a certain amount of dividends.

Section 9.2 *Operation of the Closed Block.* The Closed Block shall be operated for the exclusive benefit of the Closed Block Policies in accordance with the requirements of this Article IX and the Closed Block Memorandum.

(a) Credits to and Charges Against the Closed Block. After the Closed Block Funding Date, insurance cash flows and investment cash flows arising from the operation of the Closed Block shall be credited to or charged against the Closed Block as follows, in each case subject to the specific rules and consistent with the assumptions and methodologies set forth in the Closed Block Memorandum:

(i) With respect to insurance cash flows:

- (A) The Closed Block shall be credited or charged, as the case may be, for:
 - (i) premiums and annuity considerations paid with respect to Closed Block Policies, including but not limited to any premiums and annuity considerations paid by the Company with respect to a policy that is the subject of an ADR claim and that otherwise satisfies the criteria for a Closed Block Policy;
 - (ii) cash repayments of policy loans made with respect to Closed Block Policies;
 - (iii) policy loan interest paid in cash on Closed Block Policies;
 - (iv) death or maturity benefits, surrender values and new policy loans taken in cash with respect to Closed Block Policies;
 - (v) dividends paid in cash on policies and riders that are Closed Block Policies; and
 - (vi) Policy Credits in respect of Closed Block Policies pursuant to this Plan.
- (B) The Closed Block shall be credited or charged, as the case may be, in respect of premium taxes and retaliatory taxes (including franchise taxes levied solely on the basis of premiums) incurred on premiums received in respect of Closed Block Policies, and payments made or received in connection with membership in a state guaranty association or imposed by any mandatory pool, fund or association. The amounts to be credited or charged shall be determined in accordance with the procedure described in the Closed Block Memorandum.
- (C) The Closed Block shall be credited or charged, as the case may be, in respect of income taxes and franchise taxes calculated in the manner of income taxes in accordance with the procedure described in the Closed Block Memorandum.

- (D) The Closed Block shall be charged in respect of payroll taxes in accordance with the procedure described in the Closed Block Memorandum.
 - (E) Fees in respect of administrative and overhead expenses and certain commissions and commission-related expenses incurred by the Company in connection with the performance of its obligations under the Closed Block Policies shall be charged against the Closed Block. The fees shall be in the amounts determined in accordance with the schedule specified in the Closed Block Memorandum and shall be charged in lieu of the actual expenses incurred by the Company or any Prudential Affiliate providing such services.
 - (F) Amounts in respect of certain expenses to adjust funding in connection with Closed Block Policies issued on or after the Closed Block Funding Date shall be charged against the Closed Block. The amounts of such charges shall be determined in accordance with the schedule specified in the Closed Block Memorandum and shall be charged against the Closed Block to adjust funding in connection with Closed Block Policies.
- (ii) With respect to investment cash flows:
- (A) Investment-related cash flows from the Closed Block Assets, including, but not limited to, interest, coupon payments, dividends, proceeds of asset sales, maturities and redemptions, shall be credited to the Closed Block.
 - (B) Fees in respect of investment-related expenses related to managing the Closed Block Assets (covering investment management fees, record keeping expenses, bank fees, accounting and reporting fees, fees for asset allocation and fees for investment policy, planning and analysis) shall be charged against the Closed Block. The fees shall be in the amounts determined in accordance with the schedule of investment fees specified in the Closed Block Memorandum and shall be charged in lieu of the actual internal investment-related expenses incurred by the Company or any Prudential Affiliate providing such services.

- (C) In addition to the fees specified in Section 9.2(a)(ii)(B), the Closed Block shall be charged for direct investment expenses including the brokerage cost of acquiring investments and the brokerage cost and transaction expense of disposing of investments. Payments for real estate expenses and real estate taxes shall also be charged against the Closed Block in proportion to the Closed Block's holding of any interest in real estate giving rise to such expenses and taxes. Real estate taxes shall be charged to the Closed Block when payable to the taxing entity.

(b) Investment Policy of the Closed Block. As of the Closed Block Funding Date, new investments of Closed Block cash flows shall be acquired in conformity with an investment policy statement for the Closed Block that is consistent with investment guidelines approved from time to time by the Investment Committee of the Board or its successor. Such investment policy statement shall address, to the extent applicable, investment objectives, permissible asset class categories, permissible investments, valuation methodology, internal reporting, risk limits and performance factors and measurements. The Closed Block Assets shall be managed in the aggregate to seek a high level of return consistent with the preservation of principal and equity through asset-liability management, strategic and tactical asset allocation and manager selection/performance and shall reflect the Closed Block's duration and its ability to take risk consistent with the nature of the Closed Block and the investment objectives outlined in this Section 9.2(b).

(c) Dividend Policy of the Closed Block. (i) Dividends on Closed Block Policies shall be apportioned annually by the Board in accordance with applicable law and applicable standards of actuarial practice as promulgated by the Actuarial Standards Board or its successor so as to reflect the underlying experience of the Closed Block and with the objective of managing aggregate dividends so as to exhaust the Closed Block Assets when the last Closed Block Policy terminates while avoiding an outcome in which relatively few last surviving holders of Closed Block Policies receive dividends that are substantially disproportionate (either higher or lower) to those previously received by other holders of Closed Block Policies.

(ii) Subject to Section 9.2(c)(i), dividends on Closed Block Policies shall be apportioned, and shall be allocated among Closed Block Policies, so as to reflect the underlying experience of the Closed Block, and the degree to which the various classes of Closed Block Policies have contributed to such experience.

(d) Reports on the Closed Block. (i) The Company shall provide the Commissioner as supplemental schedules to its statutory Annual Statements for each year commencing with the year in which the Effective Date occurs (A) financial schedules, consisting of the information required by Annual

Statement pages 2, 3, 4 and 5 and (B) investment schedules, consisting of the information required by Annual Statement Schedules A, B, BA, D and E (or comparable information under financial reporting requirements as they may be established from time to time for the Company as a whole by the Commissioner after the Adoption Date), in each case for the Closed Block. By June 1 of the year subsequent to the year being reported, the Company shall submit to the Commissioner an attestation report or the equivalent of a firm of independent public accountants as to the financial schedules of the Closed Block referred to in clause (A) of this Section 9.2(d)(i). Additionally, the Company shall submit to the Commissioner by June 1 of each such year a report, prepared at the Company's request by a firm of independent public accountants, on the results of certain procedures, to test the Company's compliance with the Closed Block cash flow provisions of this Article IX and the Closed Block Memorandum. The reporting obligations provided for in this Section 9.2(d) shall continue for so long as the Commissioner may require. The annual report required by this Section 9.2(d) shall be submitted in a form acceptable to the Commissioner and in accordance with procedures acceptable to the Commissioner.

(ii) The Company shall submit to the Commissioner by June 1 of the fifth calendar year following the calendar year of the Effective Date and every five years thereafter a report, prepared in accordance with applicable actuarial standards, of an independent actuary, who shall be a member of the American Academy of Actuaries, concerning the operations of the Closed Block.

(e) Inter-account Transfers. No assets shall be reallocated, exchanged or transferred between the Closed Block and any other portion of the Company's general account or any Prudential Affiliate except (i) in accordance with this Section 9.2(e), (ii) as provided in the Closed Block Memorandum or (iii) as approved by the Commissioner. To facilitate the management of Closed Block cash flows, the Closed Block may participate in pooled short term accounts maintained by the Company on a basis no less favorable than any other portion of the Company's general account. Any other transfers, exchanges, investments, purchases or sales of assets between the Closed Block and any other portion of the Company's general account or any Prudential Affiliate may be effected if such transactions (i) benefit the Closed Block, (ii) are consistent with the investment policy statement and objectives described in Section 9.2(b) and the Closed Block Memorandum, (iii) are executed at demonstrable fair market values and (iv) do not exceed, in any calendar year, more than 10% of the statutory statement value of the invested assets of the Closed Block as of the beginning of that year.

(f) Amendment or Cessation of Closed Block. The Company may amend the terms of or cease to maintain the Closed Block with the prior approval of the Commissioner, subject to such terms and conditions as the Commissioner may approve, if the Commissioner determines that: (i) assurances provided by the Company or other conditions provide adequate safeguards to provide for the reasonable dividend expectations of the holders of Closed Block Policies and (ii) either (A) the Closed Block is no longer necessary to effectuate the purposes of this Article or (B) the Closed Block has been so reduced in size

as to make continued operation of the Closed Block impracticable. Terms and conditions imposed by the Commissioner may include, without limitation, requiring actuarial opinions from independent actuaries hired by the Company, and by the Commissioner at the Company's expense, that appropriate provision has been made for the dividend expectations of holders of Closed Block Policies. If the Closed Block is discontinued, the Closed Block Policies then remaining shall continue to be obligations of the Company and dividends on such Policies shall be apportioned by the Board in accordance with applicable law.

(g) Non-reversion to Shareholders. Except as provided in Section 9.2(f), none of the assets, including the revenue therefrom, allocated to the Closed Block or acquired by the Closed Block shall revert to the benefit of the shareholders of the Company.

(h) Reinsurance or other Transfer of Risks. The Company may, with the Commissioner's prior consent, and subject to Article 7 of Chapter 18 of Title 17B of the New Jersey Revised Statutes, enter into one or more agreements to reinsure or otherwise transfer all or any part of its risks under the Closed Block Policies. Notwithstanding any other provision of this Article IX, (i) the agreement may provide for the transfer of all or part of the risks associated with Closed Block Policies and/or the transfer of ownership of, or other interest in, Closed Block Assets or funds not allocated to the Closed Block supporting such risks; (ii) amounts paid and received by the Company in connection with any such agreement may be allocated to the Closed Block in accordance with any methodology approved by the Commissioner; (iii) cash flows from any transferred Closed Block Assets may be considered to be investment cash flows of the Closed Block for purposes of establishing dividends and meeting policy obligations on Closed Block Policies; and (iv) the Company may use Closed Block Assets or funds not allocated to the Closed Block as reinsurance premiums or other consideration for such agreement *provided*, in each case, and without limiting the grounds on which the Commissioner may withhold approval, the Commissioner shall not approve such action if the Commissioner finds that such action shall have the effect of lessening the extent to which the reasonable dividend expectations of the holders of Closed Block Policies are provided for by this Article.

Section 9.3 *Guaranteed Benefits.* The Company shall pay all guaranteed benefits for Closed Block Policies in accordance with the terms of such policies. The Closed Block Assets are the Company's assets and the establishment of the Closed Block shall not in the event of the rehabilitation or liquidation of the Company affect the priority of the claims of the holders of Closed Block Policies to such assets in relation to the claims of all other policyholders and creditors of the Company.

Section 9.4 *Canadian Closed Block.* The Company shall, in addition to the Closed Block, establish a Canadian Closed Block. The Canadian Closed Block shall be established and operated as set forth in the Canadian Closed Block Memorandum, attached hereto as Exhibit H.

Section 9.5 *Dividends on Certain Policies Not Included in Closed Block.* (a) The Company shall maintain and continue the dividend scale in effect in 2000 for those individual disability income and daily income hospital policies In Force on the Effective Date for which the Company has a dividend scale and for which contract dividends are due, paid or accrued by action of the Board during 2000, unless or until the Company shall have obtained the prior approval of the Commissioner to change or discontinue such dividend scale.

(b) Beginning with the first adjustment to the rate of interest paid with respect to a Supplementary Contract to which this Section 9.5(b) applies, the Company shall set interest rates with respect to such Supplementary Contracts at a rate that is not less than 100% of the iMoneyNet Taxable Retail Average, less 75 basis points. In the event that such index ceases to be published, the Company shall use another similar index, subject to the approval of the Commissioner of such index and of the spread between such index and the proposed crediting rate. This Section 9.5(b) applies to any Supplementary Contract that is In Force with the Company or any Designated Subsidiary as of the Effective Date (i) for which dividends in the form of excess interest are due, paid or accrued during 2000, (ii) for which such interest would have been due, paid or accrued if the Supplementary Contract had been in force during all or any part of 2000 or (iii) for which such interest would have been due, paid or accrued if the Supplementary Contract had had a contractually guaranteed rate lower than the effective rate of interest set by the Company for 2000 for all other Supplementary Contracts eligible for excess interest payments.

(c) Interest paid after the Effective Date with respect to retained asset accounts operated under the name "Alliance Account" that are In Force as of the Effective Date shall be at a rate not less than the rate paid with respect to Supplementary Contracts referred to in Section 9.5(b).

(d) The Company shall maintain and continue the dividend scale in effect in 2000 for those payout annuities resulting from the "Annuity Types and Rates Provisions" of the annuity contract marketed under the name "Financial Security Program" ("FSP"). This Section 9.5(d) shall apply to any FSP annuity contract that is In Force as of the Effective Date and shall continue to apply to any such contract until the Company shall have obtained the prior approval of the Commissioner to change or discontinue the 2000 dividend scale with respect to such contract.

(e) Changes in future dividends paid on riders attached to policies that are not Closed Block Policies shall be identical to changes in future dividends on such riders issued on the same form that are attached to Closed Block Policies. This Section 9.5(e) applies to any such riders issued prior to the Effective Date that are attached to insurance policies issued by the Company that are In Force on the Effective Date.

Section 9.6 *Modifications to Non-Guaranteed Elements in Certain Life Insurance Policies, Annuities and Riders.* The Company and each Designated Subsidiary shall (a) comply with the Flexible Factor Requirements set forth in Exhibit I with respect to the Flexible Factor Policies issued by each of them and (b) comply with the Annuity Crediting Rate Requirements set forth in Exhibit J with respect to the Covered Fixed Annuities and Covered Variable Annuities issued by each of them.

ARTICLE X

APPROVAL BY COMMISSIONER

Section 10.1 *Application; Hearing.*

(a) This Plan is subject to the approval of the Commissioner, as provided in Chapter 17C, after the Hearing.

(b) The Company shall file the Application with the Commissioner in accordance with Section 4.a. of Chapter 17C. The Application and the documents supporting the Application shall be public documents in accordance with Section 4.c. of Chapter 17C except as otherwise provided therein or by other applicable law.

Section 10.2 *Notice of Hearing.* (a) At least 45 days prior to the Hearing, the Company shall mail, by first-class or priority mail, a Notice of Hearing to each Person who was a Policyholder as of the Adoption Date and each ADR Claimant eligible to repurchase a life insurance policy or annuity contract pursuant to the ADR Memorandum at the address for such Person that appears in the applicable Records. The Notice of Hearing shall be in a form satisfactory to the Commissioner. If the Hearing is adjourned to another time or place, the Company shall not be required to give individual notice of the adjourned hearing if the time and place to which the Hearing is adjourned are announced at the Hearing at which the adjournment is taken.

(b) The Company shall also give notice of such Hearing by publication at least two times at intervals of not less than one week, the first publication to be not more than 45 days and the last publication not less than 15 days prior to the Hearing, in two newspapers of general circulation throughout the United States. Such notice shall be in a form satisfactory to the Commissioner.

ARTICLE XI
APPROVAL BY POLICYHOLDERS

Section 11.1 *Special Meeting*. After the Hearing, the Company shall hold the Special Meeting, at which all Persons who are Qualified Voters as of the Adoption Date, as shown on the Records of the Company, shall be entitled to vote on a proposal to approve the Plan. The proposal to approve the Plan shall include all of the constituent elements thereof, including without limitation (x) the Destacking, including the Destacking Extraordinary Dividend, (y) the Additional Extraordinary Dividend and (z) the other financial and reinsurance transactions described in Section 3.3(c), and none of the transactions listed in (x), (y) and (z) above or any other constituent element of the Plan shall be subject to separate approval by the policyholders of the Company. Notwithstanding that the following Persons might be eligible to receive consideration under this Plan, no such Person shall be entitled to vote on the proposal to approve this Plan unless such Person otherwise satisfies the requirements for being a Qualified Voter:

- (a) a holder of a policy, contract or Supplementary Contract issued by any subsidiary of the Company, including a Designated Subsidiary;
- (b) a holder of a Transferred Canadian Policy;
- (c) a holder of a Rewritten Health Policy;
- (d) a Person deemed for purposes of this Plan to be an Owner of a Policy pursuant to Section 5.4;
- (e) an ADR Claimant not otherwise satisfying the definition of Qualified Voter;
- (f) a holder of a policy or contract issued by another insurance company that is reinsured by the Company on an indemnity reinsurance basis; or
- (g) the Company or a Prudential Affiliate, except where the Company or Prudential Affiliate (i) is the Owner of a Policy held on behalf of an employee benefit plan that is sponsored by the Company or any Prudential Affiliate or (ii) is the Owner of a Policy held on behalf of an employee benefit plan that is sponsored by another employer where the Company or any Prudential Affiliate serves as trustee, except as provided in Section 5.4. Where the Company or a Prudential Affiliate would otherwise be eligible to vote because it serves as custodian of an individual annuity contract, the Company or the Prudential Affiliate, as the case may be, shall refrain from voting on the proposal to approve this Plan.

Based on the Company's Records, each Person who is a Qualified Voter as of the Adoption Date shall be entitled to cast one vote, irrespective of the number of Policies owned by such Qualified Voter; *provided, however*, that a person who is a Qualified Voter in more than one capacity (*e.g.*, individual and trustee) shall be entitled to cast one vote in each such capacity and shall be deemed for purposes of this Plan to be such number of Qualified Voters as the number of capacities in which such person is qualified to vote. In order for the Plan to be approved at the Special Meeting: (x) the number of Qualified Voters who vote on the Plan by ballot cast in person, by mail, by telephone or via the Internet shall be at least one million (or such lesser number as may be approved by the Commissioner as permitted by Chapter 17C) and (y) not less than two-thirds of the votes actually cast shall be in favor of approval of this Plan. The Special Meeting and the process of voting on the proposal to approve this Plan shall be conducted in accordance with rules prescribed by the Commissioner to govern the procedures for the conduct of voting on the Plan. If the Special Meeting is adjourned to another time or place, the Company shall not be required to give individual notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken.

Section 11.2 *Notice of Special Meeting.* (a) The Company shall mail the Notice of Special Meeting to all Persons who are Qualified Voters as of the Adoption Date. The Notice of Special Meeting shall set forth the reasons for the Special Meeting and the time and place of the Special Meeting, and shall enclose a ballot for each such Qualified Voter. The Notice of Special Meeting and ballot shall be mailed at least 45 days prior to the Special Meeting by first class or priority mail to the address of each such Qualified Voter as it appears on the Records of the Company. The Notice of Special Meeting may be combined with the Notice of Hearing provided for in Section 10.2.

(b) The Notice of Special Meeting shall be in a form approved by the Commissioner and accompanied by a copy of this Plan and policyholder information materials regarding the Plan and the Reorganization, which shall be in a form approved by the Commissioner together with any other explanatory information that the Commissioner approves or requires. With the approval of the Commissioner, the Company may also mail supplemental information to Qualified Voters before or after the Special Meeting.

Section 11.3 *Efforts to Encourage Voting.* The Company shall use good faith efforts to encourage Qualified Voters to vote on this Plan, including without limitation establishing a toll-free call center, creating an Internet site, including messages in routine policy statements and advertising in national publications.

Section 11.4 *Certification of Vote.* If the Plan is approved by the requisite number of Qualified Voters, the secretary of the Company shall so certify to the Commissioner. Such certification

shall specify the numbers of votes cast in favor of and against the proposal to approve the Plan.

Section 11.5 *Inquiries and Disputes.* Any inquiry or dispute as to the right of a Person to vote on this Plan pursuant to this Article XI shall be determined by the Company in good faith in accordance with the Resolution Procedures. The outcome of any such inquiry of or dispute with the Company shall be reflected in the Records of the Company for the purpose of determining the right of the Person to vote in accordance with this Article XI.

ARTICLE XII

TAX AND ERISA CONSIDERATIONS

Section 12.1 *Tax Rulings or Opinions.* (a) On or before the date that the Notice of Special Meeting and accompanying policyholder information materials are mailed, the Company shall have obtained one or more opinions of Tax Counsel substantially to the effect that the principal Federal income tax consequences to Eligible Policyholders of their receipt of consideration pursuant to Article VIII described in the Notice of Special Meeting and accompanying policyholder information materials are accurately described in all material respects under the applicable Federal income tax law in effect on the date of such Notice of Special Meeting and accompanying policyholder information materials.

(b) On or before the Effective Date, the Company shall have obtained:

- (i) either rulings satisfactory to the Company from the Internal Revenue Service or one or more opinions satisfactory to the Company from one or more Tax Counsel substantially to the effect that:
 - (A) the crediting of consideration in the form of Policy Credits to Eligible Policyholders pursuant to Article VIII in respect of TDAs (as defined herein), IRAs (as defined herein) and Other Qualified Plans will not adversely affect the tax-favored status accorded to such contracts under the Code, and will not be treated as a distribution under, or a contribution to, such contracts under the Code; and
 - (B) the Policies issued or purchased before the Effective Date will not be deemed newly issued, issued in exchange for existing policies or newly purchased for any material Federal income tax purpose as a result of the reorganization of the Company pursuant to this Plan or, in the case of the Policies described in Section

12.1(b)(i)(A) above, the crediting of consideration in the form of Policy Credits pursuant to Section 8.1; and

(ii) one or more opinions of Tax Counsel substantially to the effect that the principal Federal income tax consequences to Eligible Policyholders of their receipt of consideration pursuant to Article VIII described in the Notice of Special Meeting and accompanying policyholder information materials, with the exception of developments between such mailing date and the Effective Date that are set forth in the opinion as determined by the Company to be not materially adverse to the interests of the Eligible Policyholders, remain accurate in all material respects under the applicable Federal income tax law in effect as of the Effective Date.

Section 12.2 *ERISA Considerations.* The Company shall apply to the United States Department of Labor for an ERISA Exemption with respect to the receipt of consideration pursuant to this Plan by Eligible Policyholders that are employee benefit plans or IRAs (as defined herein) subject to the provisions of Section 406(a) of ERISA and Section 4975 of the Code. Notwithstanding any other provision of this Plan, if the ERISA Exemption is not received before the Effective Date, the Company will obtain and rely on an ERISA Opinion, but the Company will not thereafter withdraw the request for the ERISA Exemption from the United States Department of Labor without the Commissioner's prior approval.

ARTICLE XIII

CONDITIONS TO EFFECTIVENESS OF PLAN

Section 13.1 *Conditions to Effectiveness of Plan.* The effectiveness of this Plan is subject to the satisfaction on or prior to the Effective Date (or, in the case of Section 13.1(c)(i) below, on or prior to the date of the Notice of Special Meeting and accompanying policyholder information materials) of all of the following conditions:

(a) all authorizations, consents, orders or approvals of, or declarations or filings with, or expiration of waiting periods imposed by, any court or governmental or regulatory authority or agency necessary for the consummation of the conversion of the Company to a stock life insurance company as contemplated by this Plan, including the approval of the Commissioner pursuant to Article X, shall have occurred or been obtained;

(b) this Plan shall have been approved and adopted by the affirmative vote of Qualified Voters pursuant to Article XI;

(c) the Company shall have obtained (i) the opinion or opinions of Tax Counsel pursuant to Section 12.1(a) in form and substance satisfactory to the Company; (ii) either rulings from the Internal Revenue Service or one or more opinions of Tax Counsel as provided in Section 12.1(b)(i), in either case, in form and substance satisfactory to the Company; and (iii) the opinion or opinions of Tax Counsel pursuant to Section 12.1(b)(ii) in form and substance satisfactory to the Company;

(d) the Company shall have obtained the ERISA Exemption or the ERISA Opinion described in Section 12.2 in form and substance satisfactory to the Company;

(e) the Company shall have obtained one or more no-action letters from the Securities and Exchange Commission or, in the sole discretion of the Company, an opinion or opinions of independent legal counsel, in form and substance satisfactory to the Company, relating to matters under the Federal securities laws;

(f) the fairness opinion addressed to the Board pursuant to Section 4.a.(2) of Chapter 17C from a qualified, nationally recognized investment banker shall have been confirmed by such investment banker as of the Effective Date;

(g) the investment banker referred to in Section 3.2(g) shall have delivered to the Company the opinion concerning the conduct of the IPO provided for in Section 3.2(g) and the Company shall have delivered to the Commissioner a copy of such opinion as required by Section 3.2(g);

(h) the actuarial certification of the reasonableness and appropriateness of the methodology and underlying assumptions used to allocate consideration among Eligible Policyholders, and the actuarial certification of the reasonableness and sufficiency of the assets allocated to the Closed Block and the Canadian Closed Block, addressed to the Board by a qualified and independent actuary, all pursuant to Section 4.a.(1)(b) and (c) of Chapter 17C and attached hereto as Exhibit K, each shall have been confirmed by such actuary in writing dated as of the Effective Date. If the methodology and underlying assumptions used to allocate consideration among Eligible Policyholders have changed since the original date of such certification, the confirming certification shall have described the nature of the changes and the justification therefor. Such confirmation shall consist of a statement by such actuary that to the best of his or her knowledge and belief as of the Effective Date, the prior certification of the adequacy and sufficiency of assets allocated to the Closed Block and the Canadian Closed Block as of the Closed Block Funding Date is still accurate as of the Effective Date or, if it is not, such confirmation shall contain a description of the circumstances that have given rise to the inaccuracy and the steps that have been taken to correct it;

(i) the Company and the Holding Company shall have arranged for the registration and the public trading of the Common Stock as provided in Section 3.2(f);

(j) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Plan shall be in effect; and

(k) the Company shall have filed with the Commissioner a certificate pursuant to Section 9 of Chapter 17C stating that: (i) all of the conditions set forth above in this Section 13.1 have been satisfied and any conditions precedent to effectiveness imposed by the Commissioner shall have been complied with and (ii) the Board has not abandoned or amended this Plan pursuant to Section 11 of Chapter 17C.

ARTICLE XIV

ADDITIONAL PROVISIONS

Section 14.1 *Commission-Free Sales and Purchases Programs.* The Holding Company shall establish, in accordance with the Commission-Free Sales and Purchases Program Memorandum attached hereto as Exhibit L, a commission-free sales and purchases program that shall begin no sooner than 90 days after the Effective Date and no later than the second anniversary of the Effective Date and shall continue for not less than three months. Subject to the prior approval of the Commissioner, the Holding Company may extend the period of such program if the Holding Company determines such extension to be appropriate and in the best interests of the Holding Company and its shareholders. The Holding Company may reinstitute a second and subsequent commission-free sales and purchases programs on a periodic basis on the terms described in this Section 14.1 and the Commission-Free Sales and Purchases Program Memorandum. Pursuant to each such program, each Eligible Policyholder that receives 99 or fewer shares of Common Stock under this Plan shall be entitled (a) to sell at prevailing market prices all, but not less than all, of such shares without paying brokerage commissions, mailing charges, registration fees or other administrative or similar expenses, or (b) to purchase, at the prevailing market price, additional shares of Common Stock to increase such Eligible Policyholder's holdings to a 100-share round lot without paying brokerage commissions, mailing charges, registration fees or other administrative or similar expenses. All Eligible Policyholders entitled to participate in such program shall receive notice of the procedures to be followed to effect sales or purchases pursuant to such program, which procedures shall include the mailing of a form by the Holding Company to each such Eligible Policyholder at a specified address and may include the ability to respond by the use of a dedicated Internet site. Such program shall provide for the purchase or sale of shares of Common Stock in the market or, at the sole discretion of the Holding Company, the purchase of shares of Common Stock by the Holding Company at market prices. Such

program shall be operated in accordance with the Commission-Free Sales and Purchases Program Memorandum.

Section 14.2 *Continuation of Corporate Existence; Board of Directors.* (a) Upon the Reorganization of the Company under the terms of this Plan, the Company shall continue its corporate existence in the form of a stock life insurance company, and the Reorganization in no way shall annul, modify or change any of the Company's existing suits, rights, contracts or liabilities, except as provided in this Plan. After the Reorganization, the Company shall exercise all the rights and powers and perform all the duties conferred or imposed by law upon insurers writing the classes of insurance written by it, and shall be vested in all the rights, franchises and interests of the Company prior to the Reorganization in and to every species of property without any deed or transfer and the Company shall succeed to all the obligations and liabilities of the Company prior to the Reorganization, and retain all rights and contracts existing prior to the Reorganization, except as provided in this Plan.

(b) The members of the board of directors of the Holding Company on and after the Effective Date shall be those individuals who were the members of the Board immediately prior to the Effective Date, and each such member shall continue to serve as a director of the Holding Company until the end of his or her term or until resignation or removal prior to the end of such term in accordance with the certificate of incorporation and by-laws of the Holding Company then in effect.

Section 14.3 *Acquisition of Securities by Certain Officers, Directors and Employees.* (a) On the Effective Date, and consistent with the requirements of Section 7 of Chapter 17C, a stock option plan (the "Stock Option Plan") consisting of two components, the Associates Grant and the Executive Stock Option Program, each as described below, will take effect. Under the Associates Grant, a one-time grant of stock options in an amount to be determined by the Board or a duly authorized committee thereof in its discretion will be made on the Effective Date to employees of the Company and Prudential Affiliates not eligible for regular annual option grants under the Executive Stock Option Program. Under the Executive Stock Option Program, annual grants of stock options in amounts to be determined from time to time by the board of directors of the Holding Company or a duly authorized committee thereof will be made to executives and certain other selected employees of the Company and Prudential Affiliates to be determined by such board or such committee, as the case may be; *provided, however*, that no such grant under the Stock Option Plan may be made to any senior officer of the Company earlier than the first anniversary of the Effective Date; and *provided, further*, that grants under the Stock Option Plan may not be made to other officers of the Company earlier than the 183rd day after the Effective Date. Subject to continued employment with the Holding Company or an affiliate of the Holding Company, the stock options under both programs shall become exercisable ratably over three years and shall have a maximum term of 10 years. The Stock Option Plan will provide that, without the approval of the shareholders of the Holding

Company, the aggregate number of shares of Common Stock available to be issued at any time pursuant to the Stock Option Plan shall not exceed (i) with respect to the Associates Grant, 2% of Total Allocable Shares and (ii) with respect to the Executive Stock Option Program, 5% of Total Allocable Shares.

(b) On or after the Effective Date, the board of directors of the Holding Company or a duly authorized committee thereof may substitute Common Stock on a current or a deferred basis, as appropriate in its discretion, (i) for all or a portion of the Company's non-elective contributions to the Prudential Employee Savings Plan, the profit sharing plan sponsored by the Company that is qualified under Section 401(a) of the Code and which also provides for elective deferrals of contributions by plan participants as described under Code Section 401(k) (the "401(k) Plan") and (ii) for payment of all or a portion of outstanding awards, otherwise payable in cash, that mature on or after the Effective Date under the Long-Term Performance Unit Plan of the Company, including the Company's business units, and Prudential Affiliates, and other long-term incentive plans maintained for the Company, including the Company's business units, and Prudential Affiliates. Participants in the 401(k) Plan will also have the opportunity to invest their individual contributions and existing account balances in Common Stock.

(c) Beginning one year after the Effective Date, the board of directors of the Holding Company or a duly authorized committee thereof may substitute Common Stock, on a current or a deferred basis, as appropriate in its discretion, (i) to convert existing and future non-employee Holding Company directors' retirement benefits from fixed cash payments to stock-based awards and (ii) to replace all or a portion of the annual cash retainers for non-employee Holding Company directors.

(d) The shares of Common Stock used for the programs described in Section 14.3(a) may be shares purchased in market transactions, other treasury shares to fund such programs as appropriate and in the Holding Company's discretion or authorized but previously unissued shares. The shares of Common Stock used for the programs described in Section 14.3(b) and (c) may be shares purchased in market transactions or other treasury shares to fund such programs as appropriate and in the Holding Company's discretion but in no event from authorized but previously unissued shares.

(e) Officers, directors and employees of the Company and Prudential Affiliates who are themselves Eligible Policyholders or who are participants in any of the Company's employee benefit plans that are Eligible Policyholders may receive shares of Common Stock distributed to such officers, directors, employees or plans in their capacities as Eligible Policyholders pursuant to this Plan. No person who was a member of the Board prior to the Effective Time shall be eligible to receive any grants of stock options

on the Effective Date or for one year thereafter under the Stock Option Plan.

Section 14.4 *Compensation of Officers, Directors and Employees.* No director, officer, agent or employee of the Company shall receive any fee, commission or other valuable consideration whatsoever, other than his or her usual salary and compensation, that is contingent upon this Plan becoming approved or effective or is based upon a director, officer, agent or employee aiding, promoting or assisting in the approval or effectuation of this Plan.

Section 14.5 *Restriction on Acquisition of Securities.* Prior to and for a period of three years following the Effective Date, no Person or Persons acting in concert other than the Company, the Holding Company, the Intermediate Holding Company or any other intermediate holding company interposed between the Company and the Holding Company or between the Company and the Intermediate Holding Company (or any employee benefit plans or trusts sponsored by the Company or the Holding Company) shall, without the prior approval by the Commissioner of an application for acquisition filed by such Person or Persons with the Commissioner, directly or indirectly offer to acquire or acquire in any manner the beneficial ownership of (a) five percent or more of any class of a voting security (other than Class B Stock) of the Company or the Holding Company or any other Person that owns or controls a majority or all of the voting securities of the Company or the Holding Company or (b) five percent or more of the voting power of the Company or the Holding Company or any other Person that owns or controls a majority or all of the voting securities of the Company or the Holding Company. Such application must contain the information required by Section 17:27A-2(b) of the New Jersey Revised Statutes and any other information required by the Commissioner. In accordance with Chapter 17C, the Commissioner shall not approve such an application for acquisition unless he or she finds that the requirements of Section 17:27A-2(d) of the New Jersey Revised Statutes will be satisfied and, additionally, that (i) the acquisition would not frustrate this Plan as approved by the Qualified Voters and the Commissioner; (ii) the Board or the board of directors of the Holding Company has approved such acquisition or extraordinary circumstances not contemplated in this Plan have arisen that would warrant their approval of such acquisition; and (iii) such acquisition would be in the interest of policyholders. No security that is the subject of any agreement or arrangement regarding acquisition or that is acquired or to be acquired in contravention of this Section 14.5, Chapter 17C or an order of the Commissioner may be voted at any shareholders' meeting, and any action of shareholders requiring the affirmative vote of a percentage of shares may be taken as though such securities were not issued and outstanding; *provided, however*, that no action taken at any such meeting shall be invalidated by the voting of such securities unless the action would materially affect control of the Company or a person that owns or controls a majority or all of the voting securities of the Company or unless the courts of the State of New Jersey have so ordered.

Section 14.6 *Notice to Former Policyholders.* Pursuant to Section 14 of Chapter 17C, the Company has provided notice in a form, and distributed such notice in a manner, approved by the Commissioner, of the Company's intent to demutualize to former policyholders who at the time of such notice were eligible to reinstate their policies.

Section 14.7 *Adjustment of Share Numbers.* Notwithstanding anything herein to the contrary, in order to achieve a desired filing range (in the registration statement under the Securities Act relating to the IPO) for the Initial Stock Price that the Company and the managing underwriters of the IPO deem appropriate, or in order to comply with the ADR Memorandum, the Company may adjust, by vote of the Board or a duly authorized committee thereof at any time before the Effective Date and with the prior approval of the Commissioner, the number of Total Allocable Shares. Upon such an adjustment, the following numbers of shares of Common Stock in this Plan shall be automatically adjusted proportionately, except where the failure of such adjustments to be proportionate is the result of rounding as provided below: (a) the number of Allocable Shares set forth in the definition of "Basic Fixed Component", (b) the number of Allocable Shares comprising the sum of all Basic Fixed Components, (c) the number of Allocable Shares comprising the Additional Fixed Component pursuant to Section 7.1(b)(i)(B), (d) the number of Allocable Shares comprising the Aggregate Basic Variable Component, (e) the number of Allocable Shares set forth in the definition of Initial Allocable Shares in Article I, (f) the number of Allocable Shares allocated in respect of all Additional Variable Components, (g) all numbers set forth in the provisions of Section 7.1(b)(ii)(B) governing the Additional Variable Component, including the ranges of Allocable Shares allocated prior to the application of such provisions, and (h) the number of Allocable Shares set forth in the definition of Share Election Maximum as the greatest number that the Board can determine the Share Election Maximum to be; *provided, however*, that any such adjustment shall result in the number of Allocable Shares to be allocated to each Eligible Policyholder as the Basic Fixed Component of consideration pursuant to Section 7.1(b)(i)(A) and all numbers of Allocable Shares set forth in the provisions of Section 7.1(b)(ii)(B) governing the Additional Variable Component being in whole numbers, and *provided, further*, that nothing in this Section 14.7 shall limit the ability of the Board to determine the Share Election Maximum in accordance with Section 8.1(h).

Section 14.8 *No Preemptive Rights.* No policyholder or other Person shall have any preemptive right to acquire shares of Common Stock or Class B Stock or shares of the common stock of the Company in connection with this Plan.

Section 14.9 *Notices.* In accordance with Section 8 of Chapter 17C, if the Company complies substantially and in good faith with the requirements of Chapter 17C or the terms of this Plan with respect to the giving of any required notice, its failure in any case to give such notice to any Person entitled thereto

shall not impair the validity of the actions and proceedings taken under Chapter 17C or this Plan or entitle such Person to any injunctive or other relief with respect thereto.

Section 14.10 *Corrections to Plan; Amendment or Withdrawal of Plan; Amendment to Certificates of Incorporation and By-laws.*

(a) Corrections to Plan. At any time prior to, on or after the Effective Date, the Company shall make such modifications to this Plan as are appropriate to correct errors, clarify existing items or make additions to correct manifest omissions in this Plan; *provided, however*, that only such modifications made after the filing of the Application shall be subject to the prior approval of the Commissioner. No such modification shall be subject to the approval of the policyholders of the Company, the shareholders of Holding Company, the Board or the board of directors of Holding Company, except as otherwise required under applicable law. Subject to the terms of this Plan, the Holding Company may issue additional shares of Common Stock and take any other action it deems appropriate to remedy errors or miscalculations or to take account of other changes made in connection with this Plan.

(b) Amendment or Withdrawal of Plan.

- (i) The Company may, by action of not less than three-fourths of the members of the Board, and upon prior written notice to the Commissioner, abandon or amend this Plan (including without limitation the Exhibits and Schedules); *provided, however*, that if the Commissioner determines that a proposed amendment to this Plan made after the end of the Hearing is materially disadvantageous to any of the policyholders of the Company, the amendment shall not become effective unless a further public hearing is held on this Plan as amended.
- (ii) Notwithstanding Section 14.10(b)(i), the Commission-Free Sales and Purchases Program Memorandum attached hereto as Exhibit L may be amended by the Holding Company at any time. Until the first anniversary of the Effective Date, any such amendment to the Commission-Free Sales and Purchases Program Memorandum shall be subject to the prior approval of the Commissioner. If the Commissioner approves such amendment, the Holding Company's transfer agent shall notify the Eligible Policyholders entitled to participate in the commission-free sales and purchases program as promptly as practicable following such proposal. Following the first anniversary of the Effective Date, the Holding Company may

amend the Commission-Free Sales and Purchases Program Memorandum at any time; *provided, however*, that no such amendment shall become effective until the Holding Company's transfer agent shall have first provided written notice of such amendment to the Eligible Policyholders entitled to participate in the commission-free sales and purchases program.

- (iii) Notwithstanding Section 14.10(b)(i), the amended and restated certificate of incorporation of the Holding Company may be modified pursuant to Section 3.2(a) to authorize a greater number of shares than is necessary to meet the requirements of the Plan or any number of shares of preferred stock.

(c) Amendment to Certificates of Incorporation and By-Laws. The amended and restated certificate of incorporation and amended and restated by-laws of the Holding Company and the amended and restated charter and amended and restated by-laws of the Company may be amended from time to time after the Effective Date pursuant to applicable law.

(d) No Effect on Adoption Date. Notwithstanding any modification of or amendment to this Plan, including without limitation any Schedule or Exhibit, the Adoption Date shall be and remain December 15, 2000. All such modifications and amendments shall relate back to and be considered to take effect as of such Adoption Date for purposes of this Plan.

Section 14.11 *Costs and Expenses.* All reasonable costs related to the development and examination of, and deliberations concerning, this Plan and other related matters, including those reasonable costs attributable to the use by the Commissioner of advisors and consultants, shall be paid by the Company or the Holding Company.

Section 14.12 *Governing Law.* The terms of this Plan shall be governed by and construed in accordance with the laws of the State of New Jersey, other than the choice of law or conflicts of law provisions or principles thereof. Any construction of the terms of a policy or contract for purposes of this Plan shall not affect the underlying contractual rights of the holder for any other purpose as would be determined in accordance with applicable law.

Section 14.13 *Interpretation.* When a reference is made in this Plan to Articles, Sections, subsections, clauses, Schedules or Exhibits, such reference shall be to an Article, Section, subsection or clause of, or a Schedule or an Exhibit to, this Plan unless otherwise indicated. The table of contents and headings contained in this Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of this Plan. Each Schedule and Exhibit hereto constitutes a part of this Plan. Whenever the words "include," "includes" or "including" are used in this Plan, they shall be deemed to be followed by

the words "without limitation." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Plan, unless otherwise specifically indicated, shall refer to this Plan as a whole and not to any particular provision of this Plan. The definitions contained in this Plan are applicable to the singular as well as the plural forms of such terms. Any statute defined or referred to herein means such statute as from time to time amended, modified or supplemented including by succession of comparable successor statutes.

IN WITNESS WHEREOF, The Prudential Insurance Company of America, by authority of its Board of Directors, has caused this Plan of Reorganization, as originally adopted on the 15th day of December, 2000, and as subsequently amended and restated, to be executed as of the 15th day of December, 2000.

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

By _____
Arthur F. Ryan
Chairman of the Board,
Chief Executive Officer
and President

ATTEST

Susan L. Blount
Secretary